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Borden, (Sir) Robert Laird
The National Transcontinental
Railway Project

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The National Transcontinental Railway Project

SPEECHES

Delivered by

Mr. R. L. BORDEN, K.C., M.P.

In 1903 and 1904

WITH INTRODUCTION

Shall We Have "A Government Owned Railway, or, A Railway Owned Government?"

"If the People Undertake Nine-Tenths of the Obligations. Why Not the Whole, and Own the Railway?"

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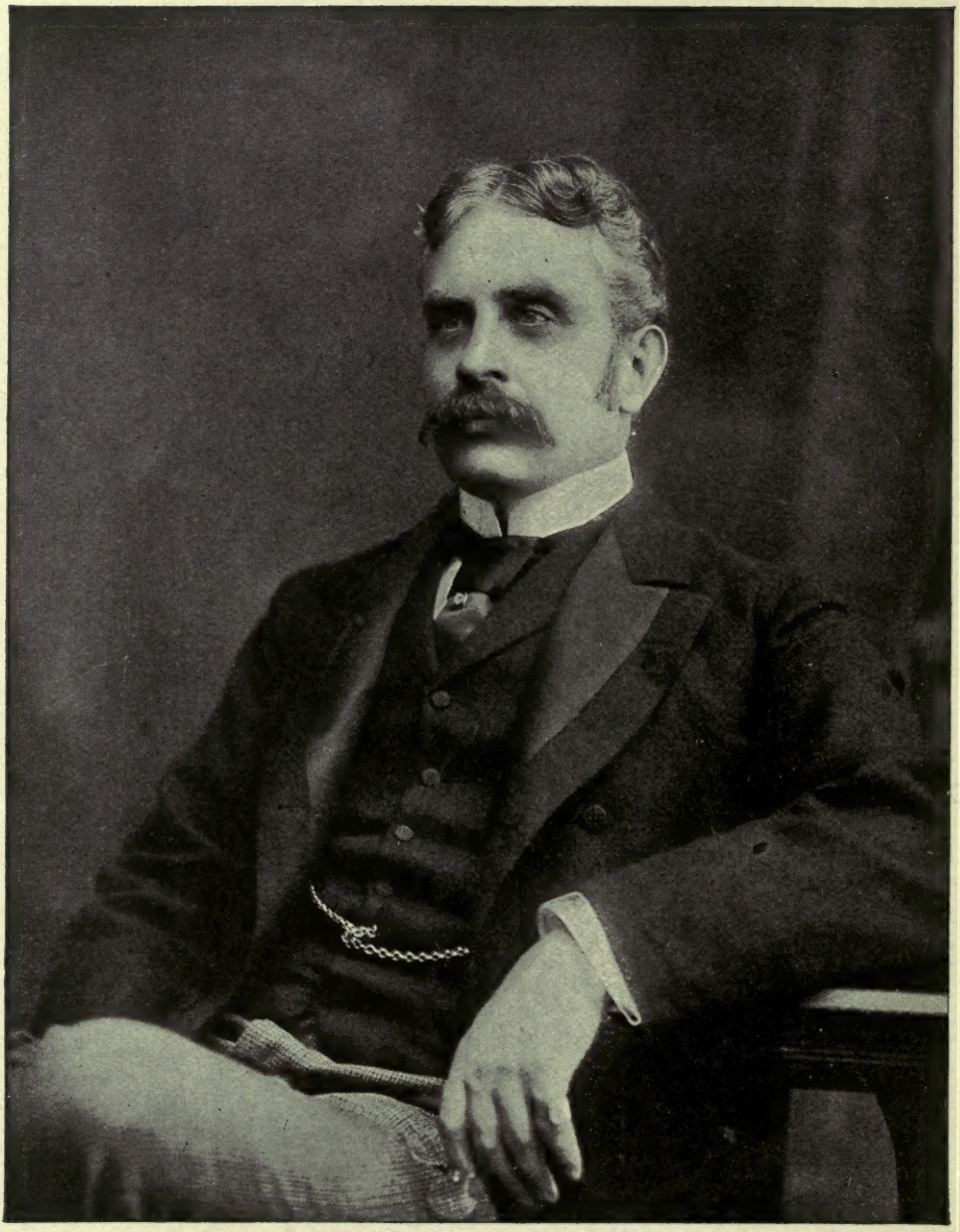

Robert L. Baden.

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A National Transcontinental Railway

1903-1904

The development of Canada's great West makes transportation a burning question, the question of the hour.

We have 1,360 miles of Government owned railway from our Atlantic ports to Montreal. It has cost us about $70,000,000. We have also 210 miles on Prince Edward Island.

At Montreal the Government railway system is dependent for western traffic connection upon the company owned lines which are its competitors in the east.

Mr. Blair, in 1902, while Minister of Railways, urged the extension of the Government railway westward to a port on Georgian Bay, and, for that purpose, he advocated the purchase of the Canada Atlantic Railway. The advantage of such an extension, he said, could hardly be overestimated, and he regarded it as a certain means of putting the Intercolonial Railway on an interest-paying basis.

With one railway system from ocean to ocean now in existence, and another under construction, both supplemented by what can be made the finest inland water route in the world, further and improved traffic facilities are needed to keep pace with our growing trade.

First Proposal of Government—Expert Investigation.

In the Speech from the Throne on 12th March, 1903, reference was made to the "need for increased transportation facilities for the forwarding of our grain and other products to the markets of the world through Canadian channels," and the Government announced that the whole question of transportation and terminal facilities would be referred to "a commission of experienced men to report on the subject."

On the 19th of May, 1903, an Order-in-Council, passed for the above mentioned purpose, declared it was obvious that before any satisfactory conclusion could be reached upon the question a thorough and comprehensive inquiry should be made regarding:

"The conditions of original shipment and the possibilities of improvement in the conditions surrounding such shipments,"

"The storage requirements of lake, river and ocean ports,"

"The harbor facilities of the inland lakes, rivers and Atlantic and Pacific ports,"

"The conditions with regard to the navigation of the St. Lawrence route, and, generally, any improvement, enlargements or other matters affecting the more economical and satisfactory uses of any channel of transportation by land or water,"

"That in making such investigation attention should not be confined to routes and facilities which are at present utilized, but, if necessary, new surveys should be made to determine whether any more economical and satisfactory channels of transportation by land or water can be opened up."

And the Order-in-Council pointed out that among the forces operating against the attainment of all Canadian transport was the:

"DIVERSION OF CANADIAN PRODUCTS THROUGH EASTERN OUTLETS TO BOSTON, PORTLAND AND OTHER UNITED STATES PORTS."

SECRET NEGOTIATIONS.

Notwithstanding such a formal declaration of policy the promised enquiry and the Order-in-Council of 19th May, 1903, were suddenly dropped. Why?

A Bill had been introduced in Parliament on behalf of the Grand Trunk Railway to incorporate a company, under its control, for the construction of a railway from Port Simpson on the Pacific eastward to North Bay, where it would connect with the Grand Trunk System. The new railway was called the Grand Trunk Pacific.

In committee in June, 1903, some members from the vicinity of Quebec City asked the president and the manager of the Grand Trunk to consent to the extension of the proposed line to the City of Quebec. This was followed by another request for an extension from Quebec to Moncton, N.B., and both extensions were agreed to by the Grand Trunk representatives.

Thereupon negotiations privately took place, behind the back of the Minister of Railways—Hon. Mr. Blair—between Sir Wilfrid Laurier and Mr. Hays of the Grand Trunk, the result of which was that the Government undertook the construction of those two extensions, and of a section (about 900 miles) from a point above North Bay to Winnipeg, which the Grand Trunk had proposed to build,

in all about 1,900 miles; and to lease the 1,900 miles to the Grand Trunk Pacific for 50 years. The Government also undertook to give unusually liberal aid to the Grand Trunk Pacific for the construction of the portion west of Winnipeg.

On the 10th July, 1903, Mr. Blair, having been made aware of the bargain thus hastily made, resigned his position in the Cabinet, because, as he said in Parliament, he was "not in favor of impetuously rushing into the construction of a trans-continental line from Quebec through an unknown country to Winnipeg and the West until we knew something about it, until we have the fullest information about it. This project is," he said, "one of very great magnitude and should be dealt with only after the maturest deliberation."

Notwithstanding this protest of the Hon. Mr. Blair, the only member of the Cabinet who had any special knowledge of railway affairs, the Government persisted in their project and eventually carried it through Parliament in the session of 1903.

Attitude of the Conservatives.

The leader of the Opposition and his supporters strenuously opposed the measure and endeavored to secure amendments for the protection of Canadian interests, and in any case to make the Grand Trunk Company responsible for the obligations of the Grand Trunk Pacific Company, of which the former company was given absolute control. Every such effort was opposed on the ground, or pretext, that the terms and conditions had been finally agreed and settled with the representatives of the Grand Trunk, and could not then be altered without vitiating the whole bargain.

The Opposition objected to the agreement because it seriously endangered the objects set forth in the Order-in-Council of 19th May—that it virtually committed the country to a partnership with the Grand Trunk Railway upon terms by which the people supply the capital and assume the risk—that it did not ensure transportation through Canadian seaports, but intrusted control to a corporation whose policy and interests favor diversion to United States ports—that it involved the country in obligations practically sufficient to construct the whole railway while the more profitable portion became the property of the company—that it enabled one of the companies to obtain, as a consideration for assuming one-tenth of the obligations, a gift of at least $25,000,000 of stock, with power to take the whole $45,000,000, without payment of one dollar, while the country which assumed nine-tenths of the obligation was not allowed one share of that stock—that it not only failed to provide for the extension of the Intercolonial Railway but it committed the country to a project calculated to postpone for fifty years and probably for a century any attempt to establish or develop a national system of railways owned and controlled by the people—that it ignored the economic advantage of our magnificent inland naviga-

tion, the splendid probabilities of which would be fully utilized by our neighbors to our detriment—that it committed the country to the construction of many hundreds of miles of railway through a practically unexplored territory and placed the country under contract to a corporation that the line should be built however improvident exploration and survey might demonstrate the route to be—and that it involved the country in obligations so enormous as to imperil the development of other lines of transportation which mature deliberation would prove better suited to the requirements of the Dominion.

On the 18th August, 1903, the leader of the Opposition used these words in addressing the House of Commons:

What are the objects to be aimed at in dealing with the transportation question at this time?

1. To secure the lowest possible rate for transportation in order that our people may obtain a portion as large as possible of the price at which their products are sold in our domestic and foreign markets.

2. To secure the transportation of Canadian products through Canadian channels.

3. To promote trade and intercourse between the two great divisions of our country; the east with its great industrial future, its vast resources of the field, of the forest, of the mine and of the ocean; and the west with its vast plains capable of supplying the food not only of the empire, but the world, and beyond, the Province of British Columbia with its great mineral and other resources.

4. To take immediate steps for the relief of any congestion of traffic on Canadian lines of transportation.

5. To develop and utilize for transportation purposes our great national highway, the Intercolonial, on which we have expended more than seventy millions, as well as our great inland waterways, rivers and canals, upon which we have expended quite as much. It is not possible to ignore this vast expenditure amounting to more than $150,000,000 in considering our future policy in regard to transportation.

6. To promote the development of our country by encouraging colonization and settlement in districts suitable for that purpose.

7. To firmly insist that any assistance given for the construction of railways shall be amply compensated for by equivalent advantages secured to the people of the country.

8. To act in concert with and not to restrain or discourage individual enterprise, but at the same time to prevent monopolies and to maintain effective control over great corporations.

9. In this connection it should be added that if, in the public interest, the whole or any portion of any great line of transportation

can be more advantageously operated by the country than by a private corporation, then the same justification exists for exercising the right of eminent domain, upon payment of due compensation, as that which permits a great railway corporation to expropriate the business, or property, or undertaking of a farmer, of a merchant or manufacturer.

The Intercolonial Ry., Quebec to Moncton.

"What are we going to do with the Intercolonial Railway? We are not going to give it away, I hope. We are not going to sell it, I hope; and we are not going to let it stand still, I hope. Other railways throughout the country are being developed and extended. Why not the Intercolonial Railway?

"We should abandon government ownership altogether, or we should give to our present system of government railways such extension and development as the business interests of the country demand.

"As to my attitude with regard to the Quebec-Moncton line, I say that if there is to be found a better and shorter line between Riviere du Loup, or any other point on the Intercolonial, and Moncton, a line which will give to Halifax and St. John and the Maritime Provinces generally a better fighting chance for western traffic than that which they have at present, I will support its construction. But I will not support it with the object for which this bill provides. I will support the construction of that line as part of the Intercolonial Railway. I do not believe in constructing that better and shorter line for the purpose of handing it over to the Grand Trunk Pacific or any other railway company, but I do believe in constructing it and keeping it for the people's railway. That is my position, and it is a position which I am ready to discuss in the Maritime Provinces or anywhere else. For what reason should we, if we find a better route through the Province of New Brunswick, by means of which another railway might compete with the Intercolonial, as the Intercolonial exists at present, for what reason should we construct a railway there at the public cost and lease it to a competing company for the purpose of destroying the Intercolonial Railway which belongs to the people of Canada? Build a railway, if it will give to the provinces of Nova Scotia and New Brunswick a fighting chance for the trade of the west, and when you have built it, keep it for the people of Canada, as part of that system which we have at present, and which I hope to see some day extended further west than at present. In all this, act reasonably, survey your country, consider the grades to be secured, consider the distance to be saved, consider the cost of haulage to be saved. Do not plunge into the thing rashly, do not undertake to build it upon a survey made 30 or 40 years ago when railway conditions were different from what they are at present. Go into the enterprise sanely, and

after having obtained information which would justify you in believing that it would give a better chance for trade to the people of the Maritime Provinces, and to the cities of Halifax and St. John, build it by Canadians, for Canadians, and as the people's railway."

Quebec to Winnipeg.

"So far as the line from Quebec to Winnipeg is concerned, I am not disposed to minimize the possibility of that northern country. Looking at the history of the great West, there may be a great flood of settlement into that country north of Lake Superior, some day or other, at least up to a certain point west; but I do not think we know enough to justify us at present in saying that there will or will not be, because I do not know how far that country is capable of competing, in the early future, with the magnificent country we have in the Northwest. I have some doubts as to whether or not that great northern country may compete as early as we would desire with the great western country. But I am not disposed to minimize its importance in any way, and to my mind the rational way of dealing with the proposed line from Quebec westward is this: First, thoroughly exploit and explore that northern country, realize and understand its capabilities and possibilities for settlement and colonization and build such railways as these conditions and requirements may demand. Build only after you have obtained the fullest possible information and obtain that information with the least possible delay. You may find curious conditions surrounding you when you get into that country. You may find that the road, which is the most direct line to the Pacific coast, will not be the road that will open that country for colonization. You may find it necessary to have a road running in one direction for colonization purposes while any future line to the coast must take a very different direction."

On the 29th September, 1903, the leader of the Opposition said:

"In regard to the alternative proposition which has been suggested by myself I want to say in the first place that it does not propose to proceed with any measure of railway extension until ample information has been obtained on all essential points. It was made a condition precedent to the proposal that I submitted to the House that there should be first expert advice and assistance before proceeding with so great a scheme. In the next place I say that it secures effective control of rates as far as the commerce between the east and west is concerned by the extension of the Intercolonial Railway to western points. Further, it aims at utilizing and developing the great inland waterways of Canada as speedily as the resources of the country will permit. The Intercolonial Railway

having been extended at great cost to Montreal, my scheme aims at giving it further extensions towards the west to such points as will enable it to secure western traffic and looks to the ultimate extension to the Pacific Coast. . . .

"By extending the Intercolonial Railway, which is already of so much importance to the people of the Maritime Provinces, to the shores of the Georgian Bay and if necessary further west, even to the Pacific Ocean; we bind together the whole of Canada by a road which will be owned by the people themselves and over which they can have control. And, lastly, I may say that the extension of the Intercolonial Railway to the shores of the Georgian Bay, must necessarily, for the reasons I have stated over and over again, bring a very considerable portion of the western traffic, not only to the ports of Montreal and Quebec, but also to the ports of Halifax and St. John."

And he moved a resolution declaring among other matters:

That this House is of opinion that the Intercolonial Railway and the Prince Edward Island Railway should continue to be owned and operated by the Government of Canada.

That the Government system of railways should be developed and improved in the Province of Quebec and in the Maritime Provinces, and should also be extended from Montreal westward to such point or points as will enable it to transport to eastern Canada and to our national ports on the St. Lawrence and on the Atlantic the rapidly increasing products of our great western country.

That the management of Government railways and of all railways under the control or direction of the Government should be freed from party political control, influence and interference.

These resolutions were defeated by the solid vote of the supporters of the Government.

Objectionable Terms.

Among many objectionable features of the Government's scheme the Opposition particularly urged those relating to the gift of an enormous amount of capital stock to the Grand Trunk Company; to the loose provisions as to the equipment of the line with $20,000,000 of rolling stock, whereby it was made possible for the Grand Trunk Pacific to hire the equipment and thus make its rental a working expense having priority to the obligations of the Railway Company guaranteed by the Government; and to the absence of provisions to prevent diversion of Canadian traffic from the ports of Canada to those of the United States.

Under the charter of the Grand Trunk Pacific that Company is authorized to issue $45,000,000 of common stock, of which it is

permitted to convert $20,000,000 into preferred stock, but that conversion is optional with the company. It has power to issue all or any portion of that $45,000,000 as paid up common stock without payment of a dollar of money, and may hand it over as consideration for "rights, powers and privileges" acquired—a provision obviously made for the purpose of enabling it to hand over capital stock to the Grand Trunk Company.

In the session of 1903 this was strenuously denied by the Government and especially by Sir Wilfrid Laurier, but denial is no longer possible. The president of the Grand Trunk Company when submitting the agreements to his shareholders used these words on 8th March, 1904:

"I must not forget to mention that in return for the support which we ask you to accord to the Grand Trunk Pacific Company, the Grand Trunk Company will retain a controlling interest in that company and will become the possessors of the whole of the common stock amounting to $25,000,000, or £5,000,000."

If anything more were needed it is furnished by the fact that during the present session, 1904, a bill has been put through Parliament, with the concurrence of the Government, expressly stating that the stock may be so given as a consideration for the "guarantee."

Thus the Grand Trunk Pacific, which will be controlled by the Grand Trunk, will have power to give to the Grand Trunk even the whole $45,000,000 of common stock as a consideration for its guarantee.

With regard to the equipment of the line the Opposition urged that it should be made clear that the company must acquire and own the rolling stock. This was opposed by the Government as needless; and yet the president of the Grand Trunk at the meeting above referred to said, "That rolling stock will be provided by the Grand Trunk Pacific Company, and as the general manager will tell you, they have laid their plans for providing that rolling stock by a trust fund."

In other words, the rolling stock will not be the property of the company; it cannot be mortgaged to secure the Government; the Trust will be entitled to a rent, or charge, for its use; and instead of the rolling stock being a security to protect the Government the rent of it will be a working expense and a prior encumbrance.

Moreover it was urged that the company contracting with the Government was the Grand Trunk Pacific, a company not its own master, but to be absolutely controlled by the Grand Trunk Company, which latter company was in no way bound.

All this was urged by the Opposition in 1903, but the answer was that the agreement had been concluded and could not be altered. Yet within a month after the session the Grand Trunk demanded alterations in its favor—the Government resumed negotiations, and although many changes in the interest and at the instigation of the

two railway companies were made and many additional burdens laid upon the people, as will be seen in Mr. Borden's speech, no effort was made to clear up difficulties or remove doubts as regards the rights and position of the Government.

The Obligations of the People.

On the 18th of February, 1904, a supplemental agreement was entered into modifying the agreement of 1903, solely in the railway company's interest, and on the 8th March, 1904, the agreements thus modified were accepted by the Grand Trunk Company.

The confirmation of these agreements on the part of this Dominion being before the House of Commons, Mr. Borden, on the 5th April, 1904, said:

Mr. Speaker, I would like to describe the financial position of this contract in its amended form, and in doing so let me say to my right hon. friend that I am going to invoke the opinion of a man who has been certified by the Government as perfectly competent to speak, as a man of the highest possible integrity, and who, during this session, has been described by my right hon. friend as a man better qualified than any other in Canada to form an opinion in regard to matters of this kind. My right hon. friend described Mr. Blair as follows:

> There is not in Canada a better qualified and more competent man to discharge the duties of the office to which we have called him. * * * I recognize him as a man of great ability, as a man of great talent, and I have no hesitation in saying that you cannot find in Canada any one who is better endowed than Mr. Blair to be chairman of the Railway Commission.

Therefore, you must pay some regard to Mr. Blair's opinion of this enterprise, to Mr. Blair's opinion as to the cost of this enterprise, and to his estimate of the obligations which this country is entering into when it undertakes a project of this kind. Mr. Blair said:

> You have a total of $139,000,000 representing the direct and indirect liabilities which the government assumes in connection with the enterprise.

I made an estimate last session and in doing so I adopted to a very considerable extent certain figures which had been placed before the House by my hon. friend the Minister of Finance. I did that for the purpose of the argument and also in order to remove as between my hon. friend, the Minister of Finance, and myself any question of controversy as to what the figures should be. I desire now to give an estimate to the House of the position of the country under this amended contract, and in doing so let me say that I depart to some extent, and particularly in regard to the question of interest during construction, from the estimate which my hon. friend made last year, and which I then adopted, because, from looking over his figures again, I see that he has evidently made too low an estimate

of the period of time required for the construction of this road. Let us see where we are under this amended contract. My estimate is as follows:

Construction of railway from Moncton to Winnipeg, 1,875 miles at moderate estimate of $40,000 per mile	$75,000,000
Assuming completion in 8 years, there will be an average of at least 4 years for simple interest at 3 per cent. during construction, or $2,250,000 per year for four years	9,000,000
Cost of construction	$84,000,000

The above estimate assumes that the money can be borrowed on 3 per cent. securities at par—but if securities are placed at 90 (and the Finance Minister has admitted that they will not bring par) the result would be:

To provide $75,000,000 at 90 per cent. as cost of 1,875 miles	$83,333,334
Four years' simple interest during construction, at 3 per cent., $2,500,000 per year for four years	10,000,000
Cost of construction	$93,333,334

Assuming the cost of the railway at completion to be, if securities bring par	$84,000,000
We must add seven years' interest (not compounded) after completion, during which the Grand Trunk Pacific is to pay no rent	17,640,000
	$101,640,000
Interest on this sum for three years additional during which no rent is collectable, unless earnings are sufficient (not compounded)	9,147,600
	$110,787,600

But, as above stated, if the securities are placed at 90, instead of at par, the cost of the railway will be	$ 93,333,334
Seven years' interest after completion (not compounded)	19,600,000
	$112,933,334
Interest on this sum for three years additional, during which no rent is collectable (not compounded)	10,164,000
	$123,097,334

Quebec Bridge

Bonds to be guaranteed by the government, to be issued monthly, as work proceeds, and bridge to be completed 1st December, 1906	$ 6,678,200
Eighteen months' interest at 3 per cent. for half of the period between December, 1903, and December, 1906, during which the work will be in progress	300,519
	$ 6,978,719

Thus we have the cost of the eastern division, including the Quebec bridge, as follows:

If securities bearing three per cent. interest are sold at par then our liabilities in respect of the railway from Moncton to Winnipeg will be	$110,787,600
Our liabilities in respect of the Quebec bridge will be	6,978,719
	$117,766,319

If our securities bearing three per cent. interest are sold at not more than 90, after payment of commission and charges, then our liabilities on railway from Moncton to Winnipeg will be	$123,097,334
Quebec Bridge	6,978,719
	$130,076,053

This does not include any interest on the half-year payments of interest which the Government will be obliged to make during the period of ten years in which the Grand Trunk Pacific will pay no rental.

Nor does it include our losses during the following forty years in which we may receive 3 per cent. rental from the Grand Trunk Pacific, but only at the end of each year, while we certainly must meet the interest on the securities in half yearly payments of more than $180,000 each.

But the engagements of the country do not stop there. To the sum total for the eastern division and the bridge, whether we take the figures at $117,000,000 or $130,000,000, must be added the obligations to which the country is committed for the prairie and mountain sections.

For the 1,000 miles of prairie section, the country will guarantee three per cent. to the extent of $13,000 per mile. For 1,000 miles, this would amount to $13,000,000.

For the 500 miles of mountain section, we guarantee three per cent. bonds sufficient to provide seventy-five per cent. of the whole cost, including interest during construction, and any discount on the sale of the bonds.

The president of the Grand Trunk Railway Company puts the actual or contractors' cost of the whole at $50,000 per mile.

500 miles at $50,000 per mile	$ 25,000,000
Interest at 3 per cent. for four years, being on the whole amount for one-half the period of construction	3,000,000
	$ 28,000,000

Seventy-five per cent. of the above $28,000,000 to be guaranteed by the government for the construction of mountain section..	$ 21,000,000
And the government agrees to pay without recourse the interest on bonds so guaranteed for seven years, that is to say, $630,000 per year for 7 years.....	4,410,000
	$ 25,410,000

But if bonds sold at 90 per cent., then to provide above $28,000,000 there would be required $ 31,000,000.	
Seventy-five per cent. of above to be guaranteed by the government for the construction of mountain section.....	$ 23,250,000
And the government agrees to pay the interest on bonds so guaranteed for seven years, that is to say, $697,500 per year for seven years without recourse	4,882,500
	$ 28,132,500

Summary of Government Obligations.

	If 3 p.c. bonds are sold at par.		If 3 p.c. bonds are sold at 90 p.c.
Eastern Division and Quebec Bridge.....	$117,750,000	or	$130,000,000
Prairie Section	13,000,000	or	13,000,000
Mountain section	25,000,000	or	28,000,000
	$155,750,000	or	$171,000,000

Thus if three per cent. bonds are sold at par, the eastern division and Quebec bridge will cost $117,750,000; the prairie section obligation will be $13,000,000; the mountain section obligation will be $25,000,000; total $155,750,000. If three per cent. bonds are sold at 90, the eastern division and Quebec bridge will cost $130,000,000; the prairie section obligation will be $13,000,000, and the mountain section $28,000,000, making a total of $171,000,000.

That, Mr. Speaker, is a statement of the obligations to which the country has committed itself by the project of last session as amended by the supplementary agreement which my right hon. friend has brought down.

If we take Mr. Blair's estimate, given last year, at $139,000,000, and allow for the greater cost now estimated by the Grand Trunk authorities for the prairie and mountain sections, it will make his estimate of $139,000,000 very little less than $150,000,000.

The Grand Trunk Obligations

Now, after looking on the obligations of the country with regard to this enterprise, what do we find, on the other hand, are the obligations, which, as stated by the president and directors of the Grand Trunk Railway Company to their shareholders, rest upon that

Company? What is it that they are to do on their part if we undertake liabilities aggregating $150,000,000, or thereabouts? According to the statement of the president and directors to their shareholders at a recent meeting, the Grand Trunk Company assume a total obligation of guaranteeing three per cent. bonds not exceeding the sum of $15,000,000, or, rather about fourteen and a half million dollars.

It has been stated by the president of the Grand Trunk Company in the correspondence with the Government, that this is a partnership. Let me read his words from the published correspondence which has been brought down, and laid upon the table of the House:

> It has always seemed to me that the government of Canada and the Grand Trunk Railway Company, being in point of fact partners in the enterprise.

Being in point of fact, partners in the enterprise. While the Grand Trunk Company last year, as its share of the enterprise had to guarantee bonds not exceeding $18,000,000, certainly not exceeding $20,000,000; this year, through the good nature of my right hon. friend—that same good nature, no doubt, which led him to appoint Mr. Blair to be Chairman of the Railway Commission—this year the obligations of the Grand Trunk Company are reduced to fourteen and a half million dollars or thereabouts, and those of the people correspondingly increased. On the one hand, we have obligations on the country to the extent of about $150,000,000, and on the other hand we have the other partner in the enterprise agreeing to enter into the partnership to the extent of less than $15,000,000.

Is it an All-Canadian Project?

In a speech delivered by Mr. Hays at a recent meeting of the Grand Trunk shareholders, the whole trend of his argument is that the Grand Trunk Railway must get access to Lake Superior and Georgian Bay at both ends. They must bring the grain from the west to Thunder Bay or Port Arthur, and it will be carried east by water to Midland and thence by rail. That is the whole of Mr. Hays' argument. That is as I understand it, that is as it is understood by a well-known financial newspaper published in London, the *Financial News,* which on March 9, 1904, said:

> A glance at the map issued to the shareholders should suffice to point Mr. Hay's moral. Wheat will not be carried all the way east by rail. The Canadian Pacific, the Great Northern, and the Northern Pacific take wheat to Port Arthur or Duluth, and use water carriage on the great lakes. Similarly, the wheat gathered by the Grand Trunk Pacific will be carried to Port Arthur, and if there is to be any land carriage eastward of the lakes the Grand Trunk will have it.

My right hon. friend nods acquiescence in that view of the situation. Does he realize what it means? Does he realize that it

means the disappearance of the myth of safeguarding the bonding privileges and preserving the all-Canadian route? Does he realize that it means the disappearance of transportation through our own ports? Does he remember that there is not one stipulation in this contract which prevents the Grand Trunk from taking its freight to Portland as before? The grain will go to Portland as before, because the Grand Trunk Railway will carry it to Portland as before. We will have incurred a very large part of the liability and expense necessary for creating in the Northwest Territories of Canada a railway for the purpose of enabling the Grand Trunk Railway to do that. That is the only difference between the situation now and what it was before. The Government have kindly and generously consented to bear the greater part of the liability necessary to build about 1,500 miles of railway in the Northwest Territories, and they refused during the past session to insert one single stipulation binding the Grand Trunk Railway not to carry the traffic of that railway to Portland. We moved amendments for that purpose, they voted them down, and when the agreement was opened up they still saw fit to withhold their hand from imposing on the Grand Trunk Railway Company one single syllable which would make it necessary that they should carry that freight to Canadian ports instead of to Portland. Indeed, I understand that those who are interested in the welfare of Portland are not very much disturbed about the outlook. They have had the Grand Trunk Railway freight before, and they expect to have it again. They have a sublime and earnest confidence that the building of the Grand Trunk Pacific Railway through the Northwest Territories of Canada will in no way interfere with the interests of Portland, but that all the traffic there gathered will go to swell the trade of Portland, and that the ports of Halifax and St. John will be relegated to the same position that they have occupied in the past. Ministers of the Crown were rather brutally frank about this during the past session when we placed this consideration before the House. We asked them why they did not impose on the Grand Trunk Railway Company some obligation to carry this freight to Canadian ports. The hon. Minister of Justice (Mr. Fitzpatrick) spoke for the Government in that regard. I would commend his language to my hon. friends from the maritime provinces, because it is very important. He said:

> Our great competitor in the English market is the United States, and for six months in the year, yes, for seven months in the year, we are depending upon our chief competitor for an outlet to that market for our Canadian products.

No Canadian outlet, mark you, during six or seven months in the year. He continues:

> Is that wise or is it prudent? How can you get out from Montreal in winter except by way of Portland or Boston or New York?
>
> Mr. BROCK. By way of Halifax.

The MINISTER OF JUSTICE. Halifax competing with Portland? It is double the distance practically.

Mr. BROCK. What is the use of talking?

The MINISTER OF JUSTICE. What is the use of talking? Can we shut our eyes to geography? Can we shut our eyes to facts? How much of the trade of Montreal has gone to Halifax? How much grain has gone from Montreal to Halifax or to St. John? How much of our food products have gone that way? Invariably they have gone to Portland or to Boston or to New York. As Portland is to the Grand Trunk Railway so Boston is going to be to the Canadian Pacific Railway.

That is the language of a minister of the Crown in dealing with our proposal to impose upon the Grand Trunk Railway Company some obligation to carry this freight to Canadian ports. And the Prime Minister was not far behind him. When I pointed out to the right hon. gentleman that grain having once gone to Quebec, it would be carried by the Grand Trunk to Portland instead of to St. John or to Halifax, the right hon. gentleman said that that would not be so; he said the distance from Quebec to Portland would be four hundred miles as he estimated it, and that the distance from Quebec to St. John would be the same as the distance from Quebec to Portland. Here is what occurred, and I quote from "Hansard," page 11969:

Sir WILFRID LAURIER. The distance between Portland and Montreal is 300 miles, and the distance between Quebec and Richmond is 100 miles, so that the distance between Quebec and Portland must be about 400 miles.

The distance between Montreal and Portland is 300 miles, the distance between Quebec and Richmond, where the road joins with the road from Montreal to Portland, is 100; so there is a distance between Quebec and Portland of 400 miles.

I pointed out to the right hon. gentleman that the distance from Quebec to Portland was only 317½ miles, and he said he was much obliged to me for having corrected him. He said it was unfortunate that the geography was such, but he would overcome it by this contract, which, however, does not impose one single stipulation on the Grand Trunk.

I was surprised to find that the Finance Minister (Mr. Fielding) took the same view of the situation. I quote from "Hansard," page 12189. I asked him whether there was anything in this contract to prevent the Grand Trunk Railway from carrying to Portland. He answered:

The MINISTER OF FINANCE. There is nothing to prevent them, but they must charge no higher rate for traffic to Canadian ports than they charge for traffic to American ports.

Well, as I pointed out last year, if the Grand Trunk brings grain to Quebec; if it has its own line to Portland and if it can get

the same toll for carrying 317 miles to Portland that it can get for carrying a much greater distance to St. John or Halifax—and it will only participate in part of the tolls to the latter cities—will it not be in the undoubted interest of the Grand Trunk to take that grain to Portland instead of St. John? And I asked him, therefore: Why should you not impose some stipulation upon the Grand Trunk in that respect. Let me quote further:

Mr. BORDEN (Halifax). And Portland being so much nearer than St. John or Halifax, they would necessarily carry it to Portland.

The MINISTER OF FINANCE. They might carry it to Portland if they were perfectly free; but under the present contract they are obliged to give the same rate to St. John or Halifax as to Portland.

Mr. BORDEN (Halifax). They will give the same rate, but it will be to their interest to carry it to Portland.

The MINISTER OF FINANCE. Undoubtedly they would make more money by carrying it to Portland, but we do not intend to permit them to carry it there.

Where was the obstacle to their carrying it there? Where was the stipulation within the four walls of this contract, which prevented them carrying it there?

Mr. BORDEN (Halifax). Where is the restriction to prevent them?

The MINISTER OF FINANCE. By the fact that the Canadian rate is not greater than the American rate, and we will trust to the patriotism of the Canadian shipper that when the rate to a Canadian port is not greater than to an American port, he will ship by the Canadian port.

Some hon. MEMBERS. Oh!

Mr. FIELDING. Hear, hear.

Mr. R. L. BORDEN—And then I said:

Then it is not sections 42 and 43 that the hon. Minister of Finance relies on to prevent them, but the patriotism of the Canadian shipper?

Some hon. MEMBERS. Hear, hear.

Mr. R. L. BORDEN—Hon. gentlemen on the other side applaud. We are to incur obligations to the extent of $150,000,000 to accomplish a certain object, and then we are to rely in the end on the patriotism of the Canadian shippers. That is the position in which the Government finds itself. Would not Canadian patriotism be just as great if we did not incur this obligation to the extent of $150,000,000? How does the expenditure of this money in that way increase the patriotism of Canadians? The patriotism of Canadians is great; no one respects and values it more highly than I do, but

these corporations will carry this freight just where they are making the most money out of it; and the Minister of Finance has admitted distinctly in the quotation which I have read, that the Grand Trunk Railway Company will make more money by carrying this freight to Portland. And if they will make more money by carrying this freight to Portland, and if there is no stipulation in the contract to prevent them from carrying it to Portland, where do you think it will be carried? Can there be any two answers to that question in the mind of any hon. gentleman in this House? There being no stipulation to prevent them, and they making more money by carrying it to Portland, then to Portland it will go in the future exactly as it has gone to Portland in the past.

When the Minister of Justice tells us that you cannot carry freight to Halifax and St. John on a profitable basis, I take issue with him. The records of the operations of the Intercolonial Railway within the past six months have demonstrated the contrary, if the truth has been told to us by this Government in the answer given recently to a certain question. The Government had been experimenting—let me say it was when a general election was believed to be imminent—in sending certain cargoes of grain to Halifax, and a question was asked the House with regard to that, and an answer given, and here are the question and the answer:

Mr. KEMP asked:

1. How many bushels of grain have been hauled by the Intercolonial Railway during the six months preceding March 1st, 1904, for delivery at Halifax for export?
2. What was the proportion delivered in each month?
3. What lake ports was it shipped from?
4. What was the rate per bushel from such lake ports to Halifax?
5. What was the mileage of each railway over which it was hauled?
6. What were the earnings per bushel of each railway?
7. What was the estimated cost per bushel for the service the Intercolonial Railway performed?

Hon. JAMES SUTHERLAND (Minister of Public Works):

1. The number of bushels of grain hauled by the Intercolonial Railway during the six months preceding March, 1904, for delivery at Halifax for export was: Wheat, 87,826½ bushels, corn 59,611 bushels.

2. Proportion delivered each month was:

	Bushels.
November, wheat	47,836
December, wheat	23,990½
January, wheat	16,000
February, corn	59,611

3. All of it was shipped from Depot Harbour.

4. The rates from Depot Harbour to Halifax were:

	Per bushel Cents.
16,000 bushels wheat	5.15
31,836 bushels wheat	4.90
39,990½ bushels wheat	5.40
25,718½ bushels corn	4.94
33,892½ bushels corn	5.00

5. The mileage of each railway over which it was hauled was:

	Miles.
Canada Atlantic Railway	346
Grand Trunk Railway	34
Intercolonial Railway	828

6. The earnings per bushel of each railway were:

	Cents.
Canada Atlantic Railway, on 16,000 bushels wheat	2.27½
Grand Trunk Railway, on 16,000 bushels wheat	.60
Intercolonial Railway, on 16,000 bushels wheat	2.27½
Canada Atlantic Railway, on 31,836 bushels wheat	2.15
Grand Trunk Railway, on 31,836 bushels wheat	.60
Intercolonial Railway, on 31,836 bushels wheat	2.15
Canada Atlantic Railway, on 39,990½ bushels wheat	2.40
Grand Trunk Railway, on 39,990½ bushels wheat	.60
Intercolonial Railway, on 39,990½ bushels wheat	2.40
Canada Atlantic Railway, on 25,718½ bushels corn	2.19
Grand Trunk Railway, on 25,718½ bushels corn	.56
Intercolonial Railway, on 25,718½ bushels corn	2.19
Canada Atlantic Railway, on 33,892½ bushels corn	2.22
Grand Trunk Railway, on 33,892½ bushels corn	.56
Intercolonial Railway, on 33,892½ bushels corn	2.22

7. The estimated cost per bushel for the service performed by the Intercolonial Railway was 2.27 cents. There was thus a slight loss on the export business, but having regard to the inward cargo and passengers obtained for the Intercolonial, the business was not considered unprofitable.

Now let us see what that amounts to, and let us examine its bearing upon the question of extending the Intercolonial Railway to Georgian Bay:

The Intercolonial received, say, 2.25 cents per bushel for hauling 828 miles.

The other roads receiving 2.75 cents per bushel for hauling 380 miles.

Taking five cents as average an equal mileage division of rate would have given:

The Intercolonial... ..... 3.4 cents.
The other roads ..... 1.6 cents.

Moreover, if as stated by the Government, 2.27 cents per bushel is the cost of carriage for 828 miles, then 3.31 cents per bushel would be the cost of carriage per bushel for the whole 1,208 miles. Therefore, you have this position. According to the statement of the Government you can carry grain from a Georgian Bay port to Halifax at a cost of 3.31 cents per bushel, and the average rate obtained for that carriage in these shipments was 5 cents, leaving to the Intercolonial Railway a profit of 1¾ cents if we owned the whole line from Halifax to the Georgian Bay.

How can the Minister of Justice (Mr. Fitzpatrick) or any other hon. gentleman opposite say that you could not do a profitable business in carrying grain from Georgian Bay ports to Halifax or St. John if you had the Intercolonial extended to the Georgian Bay? There is no answer to this proposition. If the statement of the Government is correct, and if the Intercolonial Railway were extended to Georgian Bay you could do a profitable business.

Watered Stock.

There was a gentleman with us last session who is not with us now; I refer to Mr. Blair, the Chairman of the Railway Commission. The judgment, the ability, and the integrity of Mr. Blair have been certified to by the Government in every possible way. They have been certified to, not only by his appointment to the chairmanship of the Railway Commission, but by the declaration of the Prime Minister in this House during the present session. Let me quote what I believe to be the words of Mr. Blair, and which, if my information is correct, were communicated by him to his colleagues; let me quote his views on the subject of fictitious capital; and if I am mistaken in any way as to the authenticity of this memorandum from which I am quoting, let me say that the words which I attribute to Mr. Blair and which I believe were used by Mr. Blair in discussing this matter with his colleagues, are words which carry great weight of themselves whether they are uttered by Mr. Blair or by any one else. Mr. Blair said:

> Any new transcontinental lines should be built under conditions which would make every dollar of bonds and every share of stock available in cash as near the face value as possible. If bonds may be disposed of by companies at a large discount, and stock distributed gratuitously, or on terms which produce little or no cash at all for construction and equipment purposes —which has been forbidden by law—the business such railways may do will for dividend purposes be always unduly burdened and will be a grave handicap for all time to the development of the interior. With capital shares and bonds ultimately coming into the hands of innocent buyers at prices increasing with the growth of the railway traffic, it will be impossible for either a Railway Commission or the government itself to reduce tolls below a dividend-paying basis.

That is the opinion of an expert who is certified as such, by the Prime Minister of Canada; certified as the best man in Canada for filling the position of railway commissioner. That is the deliberate opinion of this gentleman, and it is absolutely at variance with the position which the Government takes in asking that parliament shall amend this contract by inserting the stipulation now proposed. Mr. Blair continues:

> An appeal from the holders of the company's bonds and shares, to fix tolls sufficiently high to ensure a moderate dividend, cannot easily be resisted, and as a consequence the country, through its business and traffic, is in effect

as much charged, though indirectly, with the weight of these obligations as if the amount was covered by an issue of government bonds.

Moreover, the system is not sound. Why should a few people be allowed to make themselves millionaires in such a way? No one nowadays puts his money into the capital shares of a railway company at the inception of the undertaking. It has been done hitherto, it is not done now, and why not? Because with the government assistance supplementing the sale of bonds the railroad can be built. And yet capital shares are issued by the million and appear later, when the enterprise becomes a success, in the hands of the purchasers who clamor for dividends upon them.

This is the way in which the question will present itself to the very man whom the Government have put at the head of that railway commission which has to regulate these rates. He says: They are not easily to be resisted; issue that stock for nothing and place it in the hands of promoters who can put it upon the stock market, and afterward it will come up in the hands of men who have paid one hundred cents on the dollar for it, and their demands for dividends, as Mr. Blair says, are not easily to be resisted. He continues:

The objection to this system applies with great force to railways in our western country, where the drawbacks of a long haul to reach the market must always make a moderate or reasonable railway toll a vital consideration. It may not be possible to repair the errors of the past. It is possible to prevent their repetition in the case of new railway undertakings in the future, and the remedy lies in the immediate adoption of a policy which will ensure the construction of railways running east and west and traversing over rich undeveloped regions in the west, under conditions which will limit the amount of dividends to be paid based upon the actual cost of these undertakings.

And, Mr. Speaker, if I understand the position of affairs aright, that is a position from which the Government absolutely departs in proposing the amendment to parliament which is contained in this supplementary bill.

But there are some significant words in the concluding portion of this paragraph, to which public attention should be directed, and they are these:

Provided, however, that the said Grand Trunk Railway Company shall during the delay mentioned in the said paragraph, continue to hold a majority of the said stock by such title as shall enable the Grand Trunk Railway Company to control the policy of the company.

I am not an expert in the dealings of railway promoters, nor do I profess to know thoroughly the means by which railway trusts in the United States have been organized and carried on; but those who are more familiar with such matters than I am, have informed me that by means of what is called a voting trust, stock may be sold and the control of it retained by the persons who desire or are obliged to retain control of it; so that twenty-five million dollars of stock, let us say, might be put upon the stock market, and yet the Grand Trunk Railway Company might by a certain stipulation retain such power as to voting as to enable it to control the policy of the Grand

Trunk Pacific. I understand that such arrangements are made in the United States; I have been told so by persons who have bought stock upon which they have not a right to vote. Although they receive the dividends upon it, and although they are in every other respect the holders of such stock, nevertheless the right to vote on it is controlled by a trust; and if that arrangement is contemplated —as it seems to be contemplated by the concluding words of that paragraph—then, Sir, it would enable the Grand Trunk Railway Company to put not twelve millions, but twenty-five millions of this stock on the market in such a way. What are these gentlemen to give for this stock? What does Sir Rivers-Wilson say about it in his speech delivered at the recent meeting of the shareholders. He said:

> I must not forget to mention that in return for the support which we ask you to accord to the Grand Trunk Pacific Company, the Grand Trunk Company will retain a controlling interest in that company and will become the possessors of the whole of the common stock, amounting to $25,000,000, or £5,000,000.

What the Grand Trunk Gives and Receives

What does the Grand Trunk Railway Company give in the way of support to this new enterprise? It gives, in the first place, its financial assistance for the purpose of putting up a $5,000,000 deposit, which was made during the past month of March by this company. Sir Rivers-Wilson, or some director of the company, said, what is undoubtedly the fact, that every dollar of that $5,000,000 will be handed back to the Grand Trunk Company. It is contemplated to hand back that money eventually and Sir Rivers-Wilson said further that the putting up of that sum would not cost the Grand Trunk Company one farthing.

What else is it to do? It is to guarantee the bonds of the Grand Trunk Pacific Company to an amount of a little more than fourteen and a half million of dollars. There are two partners in this enterprise, the Government, which is to incur obligations of not less than $150,000,000, of which a considerable portion must be paid in cash, and the Grand Trunk Company, which is to pay no cash at all, at least not for many years, and is to guarantee bonds to an amount of less than $15,000,000. That is to say, the obligations which the Grand Trunk Company undertakes are less than one-tenth of the obligations which the country undertakes for the purpose of building this Grand Trunk Pacific line.

But when it comes to a question of compensation, the Grand Trunk Company which has been in the background so far as support is concerned comes to the front at once, and it is to receive $25,000,000 of the common stock of the Grand Trunk Pacific for the support which it thus gives. May I be permitted to ask, Mr. Speaker, where the country comes in on that deal? The country gives ten

times the support to that enterprise that the Grand Trunk Company gives. The Grand Trunk besides taking over the western division as its own and obtaining the eastern division for nothing for ten years, with a lease at a low rental for forty years more, receives $25,000,000 worth of stock for its support and the country is to receive nothing. Why does not the Government insist that this stock shall be held by the country instead of by the Grand Trunk Company? Is there any objection to that? Ought there to be any objection to that? Would not that have some advantages? Would there be anything incongruous in it? Does not the Government of Great Britain hold a controlling interest in the shares of the Suez Canal? Would not this country be in a better position if the Government were to hold a controlling interest in the stock of the Grand Trunk Pacific Company? If the Government held the stock they could forego dividends in order to give lower rates, and if dividends were earned they would go back to the people from whom they were received. The Government would control the policy of the Grand Trunk Pacific Company and make the road a thoroughly Canadian road, and, last but not least, the Government could prevent the diversion of traffic to the United States ports and centres. None of these results can be accomplished by giving to the Grand Trunk Company common stock of the Grand Trunk Pacific Company to the extent of $25,000,000. I do not know any reason why in view of the conditions under which this road is to be built, in view of the support which the country on one hand and the Grand Trunk Railway on the other are to give to this enterprise, I do not know of any reason why $25,000,000 of common stock should be given to the Grand Trunk Company while the country receives no corresponding or compensating advantage. I know that the directors of the Grand Trunk Company at a recent meeting declared to the shareholders that the interests of the Grand Trunk were thoroughly safeguarded, and I think they were very safe in making that statement, but I would like to have it demonstrated a little more to my satisfaction, that the interests of the country are thoroughly safeguarded.

Extension of Intercolonial to Georgian Bay.

Our proposal last year was to extend the Intercolonial Railway to Georgian Bay. This is a proposal by which I for one am still prepared to stand. My right hon. friend said, I think, on one occasion, that Mr. Blair denounced our proposal as a mad scheme. But our proposal to extend the Intercolonial to Georgian Bay is one which has always commended itself to Mr. Blair, and as to which he has expressed himself publicly in very strong language. When my right hon. friend the Prime Minister suggests that Mr. Blair denounced the scheme we proposed as a mad one, I do not think he will find any warrant for that statement in any language used by Mr. Blair. Mr. Blair certainly did denounce the scheme of the

Government, not only as mad, but as an unjustifiable and wanton waste of public money, but he never made use of any such language with regard to the scheme we proposed. If he ever used any such language with regard to the extension of the Intercolonial to Georgian Bay, he would have expressed himself absolutely in contradiction to what he said in a carefully prepared memorandum. In that memorandum Mr. Blair said this:

> The observations thus far made by the undersigned amply justify the conclusion that it is quite misleading to look for a fair test of the principle of government ownership in the experience of the Intercolonial, or to condemn that principle as inherently defective because in the comparison of net results the showing as between the corporation railways and the government railway is unfavorable to the latter. There is no good reason which can be suggested, or which in the opinion of the undersigned actually exists, why the government of Canada cannot apply and work out the principle of government ownership as successfully as it is being worked out in other British dependencies and in foreign lands.

That is the language, not of any ordinary individual, but of a man who is regarded by the Government more capable than any other in Canada to deal with railway questions, and who, for that reason, has been placed by this Government at the head of the Railway Commission. Further on Mr. Blair said:

> There is one certain means of putting the Intercolonial upon an interest paying basis, and that is by the extension of its line.

Does that strike you, Sir, as characterizing the scheme which I proposed as a mad one? It strikes me rather as commending that scheme as wise and prudent. Mr. Blair goes on:

> The Montreal extension has done much; but a further extension will do more. While the government railway has captured the larger part of the traffic originating in Montreal and destined for inland eastern and even export points, it has no connections west and is allowed to take only what traffic the two corporation railways do not care to retain themselves. All winter shipments from the west ordinarily reach the seaports of St. John or Portland via the Canadian Pacific and Grand Trunk respectively, and although the Intercolonial is fairly well placed to carry freight to Halifax and St. John, it must always remain excluded from that portion of the business arising west of Montreal, so long as present conditions continue.

That is an elaboration of what he had just said, and I commend it to the Prime Minister as the statement of a man who has received his highest approbation, not only by appointment to the Railway Commission, but also by my right hon. friend's eulogium of him during the present session. Mr. Blair continued as follows:

> The undersigned has long held the opinion that a port on the Georgian Bay should be reached by the Intercolonial, and thus a connection had with the Canadian Northern by water transport, open and practicable for from four to six weeks longer than canal navigation. The Canadian Northern would gladly co-operate with the government railway, as it has no other rail-

way connection nor any interest antagonistic to the government system. Duluth and Chicago would be in touch with the Intercolonial, and direct through rates could be arranged to Montreal or Lévis during the summer season, and to St. John and Halifax during the winter.

And the Government has demonstrated, by the information it gave the House this session, the absolute feasibility of carrying grain from Georgian Bay to Halifax at a fairly good profit— a profit far better than that at which the Intercolonial carries a very large portion of its freight, I will venture to say. But Mr. Blair went on to say:

By the construction of storage elevators on a sufficient scale to hold grain in quantities not going forward until navigation closed, a large and ever-increasing traffic would find its way over Canadian territory and by government railway to the ocean through the gateways of Halifax and St. John.

Not only would it find its way in increasing volume, but at such fairly paying rates as would wipe out the deficit on the Intercolonial, of which we hear so much, and would place that road on a very good and paying basis. Mr. Blair then continued as follows:

The advantage of such extension to the Intercolonial can hardly be overestimated. If the Canada Atlantic system were acquired a traffic-producing section of the country, with a growing local business already created, would be found on the western portion of the line; while St. John, Halifax and Sydney at the other end would equalize the existing conditions and carry the intermediate section, a section which, it is only fair to say, has within the last few years shown signs of considerable progress and before the lapse of many years may be expected to be self-sustaining.

Let me state that argument in my own words, as I understand it. Mr. Blair says we have in Nova Scotia and New Brunswick a splendid paying portion of the Intercolonial, but that portion has been handicapped by the fact that the line from Moncton north to the province of Quebec has not been a paying portion. He says the Intercolonial is cut off from western connections. Acquire the Canada Atlantic, or expropriate it, and you will have these results. In the first place, you will have in the east of Canada a splendid paying portion of the Intercolonial. In the second place, you will have in the west the Canada Atlantic system, or some other system possibly constructed by the Government itself, and that will be a paying road running, as it will be, through a country where there is no water competition.

And further than that, you have the possibility of an enormous through traffic, by the Canada Atlantic, if acquired by the Government over the Intercolonial to Halifax and St. John. And, putting all these things together, he says there can be no doubt of the wisdom of acquiring that railway and thus completing the extension of the Intercolonial which was begun when it was extended from Levis to Montreal. That is the view which I am commending to the Government because it is the view of a man upon whose judgment

they cannot pass any reflection. If Mr. Blair does not understand something about transportation in this country, surely he would not have been put in the position he now occupies. If he had not made a study of railway problems, he would not have received this mark of the Government's confidence. But my right hon. friend was so impressed with his ability, that putting to one side the strong speech Mr. Blair had levelled at his project, putting aside even the reflections which Mr. Blair had cast upon the Government, but looking only at the public interest, he said: Here is the man of all men in Canada to deal with these questions. I give my right hon. friend this gentleman's opinion as to what ought to be done. Does this seem like calling the acquisition of the Canada Atlantic a mad scheme? On the contrary, he says it will prove the salvation of the Intercolonial Railway. And why has not the Government adopted this course? The only reason that has ever been given to the House by my right hon. friend, I think, was that celebrated vision of his when he stood at Depot Harbour, on the Georgian Bay, and, looking out upon the wild waste of waters, came to the conclusion that the Government could not engage agents to canvass for freight and could not have anything to do with steamships. These considerations do not seem to have impressed themselves upon Mr. Blair, who, of all other men in the country, according to the opinion of the Government, has most closely studied and best understands the problems which attend the question of transportation. Mr. Blair continued:

> If the Canada Atlantic system were taken over by the Intercolonial, the tolls now in force on that line could be maintained. No complaints have been made with respect to these tolls. That they are moderate and acceptable to the people who use the railway is shown by the entire absence of agitation, public or otherwise, against them. That these rates are also profitable is shown by the net results for the year 1902, which amounted to $618,000, or 4 per cent. of $15,000,000 after paying all operating expenses for the year and making large outlay upon betterments.

Then, Sir, summing up the whole situation, Mr. Blair's view is this:

> From the purely Canadian, national point of view, the Intercolonial would then have advantages over any other railway in Canada. Its traffic would find an outlet during the summer months at Montreal and Quebec, and during the winter at Halifax and St. John, and there is good reason to believe that it would give the two Atlantic seaports (the Canadian Pacific also serving at St. John) all the business they could conveniently handle for some time to come; and moreover, from the point of view of its paying prospects, the outlook is in the highest degree encouraging. At present there are 400 miles of good paying railway at the eastern end of the Intercolonial Railway. Extension to the Georgian Bay, by way of the Canada Atlantic Railway, would give 300 or 400 miles of profitable railway at the western end, and, as has already been pointed out, these two ends together would be able to carry financially the less productive and intervening section and afford a substantial surplus toward paying interest on the capital outlay.

Let me commend this view of the situation to my hon. friend, and let me ask him whether, in view of these strong and forcible

words of this man whose judgment he so much commends, there is not reason for drawing back from what the Government are doing at the present time—reasons for seeking some better solution of the transportation problem than is afforded by this measure? The Government need not be afraid of drawing back. They have already receded from their position on a dozen or more different points, even from the most solemn declarations that have been made by Ministers of the Crown. It would be impossible for them to depart further from their professions than they have already done. And, though they have ridiculed the idea of extending the Intercolonial to the Georgian Bay it is not too late for them to draw back. Let me commend this to my right hon. friend in the same spirit which prompted him to believe that we on this side would regard this agreement as eminently reasonable and satisfactory. There is time for repentance, even for this Government, and the extension of the Intercolonial to Georgian Bay would be a bringing forth of fruit meet for repentance, at which I am sure, the country would greatly rejoice. The development of the Intercolonial Railway, the operation of the Government system upon a larger basis than at present, would probably bring about a better management of that railway, and would tend to produce better results than we have hitherto had—not only for the reasons to which I have adverted and which have been put forcibly by Mr. Blair, but for the reason that if this system became a very great system, the fierce light of public opinion beating upon it in all parts of the country would necessitate better and more economical management and one less subject to political influences than has prevailed in the past. Every reason that has been advanced by the able men at the head of the Grand Trunk Company for pushing that railway into the Northwest seems to me to be applicable to the Intercolonial Railway. These gentlemen of the Grand Trunk regard it as imperatively necessary that their road should reach the Northwest. Mr. Hays very plainly points out that if they do not extend it to the Northwest they may not in future be able to pay dividends on stock which is now returning something to the shareholders. The reasons which make it desirable for the Grand Trunk to go into the Northwest to get its share of traffic make it not only advisable but necessary for the Intercolonial, if it proposes to secure a part of the western traffic, to have its line extended.

Extension of the Intercolonial Westward

Now, Mr. Speaker, I do not say that the Intercolonial ought to stop at the shores of the Georgian Bay. I believe that its extension should only be limited by the western confines of the Dominion. There is no good reason why it should not be extended to the City of Winnipeg, or why the people of that city should not have communication by means of the Intercolonial with Ontario, Quebec and

the Maritime Provinces. I submit that by that means the Intercolonial would reach into the Northwest, and not only secure a considerable portion of the traffic which passes from the west to the east, but also a considerable portion of the traffic which passes from the east to the west of Canada in agricultural implements, merchandise and commodities of a hundred different kinds which must be sent from the east of Canada into the west for many years to come. I still advocate the extension of the Intercolonial to Winnipeg.

It would be wise also, if necessary in order to overcome congestion, to aid in double tracking or otherwise improving the line between Fort William and Port Arthur and Winnipeg. I say, as I said last year, that in doing that we should only give reasonable public aid in return for the most absolute and thorough control of rates upon those lines, so that we might give to the people of the west every possible facility and the cheapest and most economical means of transportation that could be devised in this country.

Why not Own the Railway?

BUT, SIR, I AM PREPARED TO GO EVEN FURTHER, AND I SAY THAT RATHER THAN ENTER INTO THE PRESENT CONTRACT, I BELIEVE IT WOULD BE INFINITELY WISER AND MORE IN THE INTEREST OF THIS COUNTRY THAT THE GOVERNMENT SHOULD ITSELF IMMEDIATELY CONSTRUCT A LINE FROM WINNIPEG TO THE COAST.

What is the position at present? Let us examine it for a moment. We are committing this country to obligations to the extent of $150,000,000. If we consider the probability that the bonds must be sold at 90 cents we are committing this country to obligations to the extent of $170,000,000; and the Grand Trunk Railway Company, the other partner to the contract, is committing itself to obligations to the extent of only $14,500,000, or a little less than $15,000,000. What is the result of the contract at present? The result is that 1,500 miles of railway built in the west of Canada as part of an enterprise to which the Government contributes $150,000,000 or $170,000,000, and to which the Grand Trunk Company contributes only $14,500,000, is to become the absolute property of the Grand Trunk Pacific. If we are going to expend $150,000,000 or $170,000,000 for the construction of this line and hand over 1,500 miles, the most profitable portion of it, to the Grand Trunk Pacific Company what is the objection to our incurring the other $14,500,000 of obligations and owning that whole stretch of road? We are to build 1,875 miles from Moncton to Winnipeg, a portion of the line which is declared by the Grand Trunk to be infinitely less profitable than that portion which lies further west. We pay for the whole of that, we build the whole of that, we hand it over to the Grand Trunk Pacific for ten years for nothing, and we hand it over to them for forty years for a very small rental, a rental which, according to the

opinion of Mr. Blair, will involve us during 40 years in a loss of $18,500,000. We build in the west 1,500 miles of railway, and we guarantee bonds to the extent of $13,000 a mile on 1,000 miles of that, and bonds to the extent of $42,000 a mile on the remaining 500 miles; we make provision that if the bonds are sold at a discount we shall increase our liability. After building 1,500 miles of railway in that splendid country, a country and a railway with enormous possibilities, possibilities transcending those of the Canadian Pacific Railway which earned $15,000,000 of profits last year—I am quoting the opinion of the Minister of the Interior as to that—after building that railway we hand it over to a corporation without any control of rates, beyond that general control which applies to every railway company, without any assurance of cheaper transportation, without any assurance even of the transport of our traffic over Canadian lines and to Canadian seaports. Is there good business in accepting that position? Is there sound statesmanship in taking that position? If we are to incur obligations to the extent of $150,000,000, why should we halt; why not incur the other $14,500,000 of obligation and own that line in the west, which may at some future time bring a revenue to the people of this country of $15,000,000 a year, as the Minister of the Interior has pointed out?

If we are to incur all the obligations of this contract, why should we not take some part of the profit of this contract? Why should we own only the eastern division of this railway? Why stop at that? Why is there to be no participation by the Government in the profits of the 1,000 miles of splendidly paying property in the prairies?

What are the obligations of the Grand Trunk which we would be required to assume if we did what I propose? Let us take them as stated at the recent meeting of their shareholders. Sir Rivers-Wilson stated them as follows:

> If you have followed the figures which I have just mentioned, you will find that the result shows an amount of principal bonds guaranteed in respect of both sections of £2,968,000, and of annual interest of £118,720, but even this interest liability, comparatively small as it is, need not accrue until the expiration of eight years—the period allowed for construction—the interest on cost during construction being provided for out of capital. This, then, constitutes the responsibility of the Grand Trunk Company.

Well, if the guaranteeing of bonds to the extent of £2,968,000 ($14,500,000) is all the contribution of the Grand Trunk, why should we hand over this splendid profitable road in the west? What is Mr. Hays' view of the situation? His view is this:

> The Grand Trunk Railway is not going to be called upon under its guarantees for one cent for eight years after this enterprise is started—after the construction of the line is commenced—the cost of the line during construction being added to capital and provided out of capital, and the securities which the Grand Trunk will guarantee will not be issued for eight years, and then after that eight years have rolled by, you have seven years yet on the mountain section, a part on which there seems to be some doubt. There can

not be the slightest doubt as to what the returns will be from the prairie section, but on the mountain section you have seven years without any claim at all, three years after that only a claim on what is earned, making, therefore, before the mountain section becomes anything of a burden on the railway, eighteen years.

That is the view which the Grand Trunk directors and their general manager take of the situation. It does not seem to me wise that after pledging our resources to the extent of $150,000,000 or $170,000,000 we should stop short of owning that which we have built, merely in order to avoid a further liability of fourteen and a half millions. Can any reasonable man say that the ownership of that splendid western line, which has been so glowingly described by my hon. friend, the Minister of the Interior and others, as well as by Grand Trunk directors, would not be worth the additional liability which we would incur by taking the place of the Grand Trunk? Sir, if we adopted that policy, we would own a national transcontinental railway in the true sense of the term. We would absolutely control rates. We would absolutely ensure transportation of our own products through our own territory and from our own seaports. We would give our people the most economical means of transportation.

IT SEEMS TO ME, THEREFORE, MR. SPEAKER, THAT HAVING REGARD TO THE OBLIGATIONS WHICH THE GOVERNMENT PROPOSE TO ASSUME, IT WOULD BE VERY MUCH MORE IN THE INTEREST OF THE COUNTRY THAT THEY SHOULD NOT STOP, BUT GO JUST A LITTLE FARTHER, ONLY ONE-TENTH FARTHER, AND OWN AND CONTROL FOR THE PEOPLE OF THIS COUNTRY THAT SPLENDIDLY PROFITABLE PORTION OF THIS RAILWAY WHICH IS TO BE BUILT THROUGH OUR NORTHWEST.

HON. MR. FIELDING'S ACTUARIAL ARGUMENT

Now, I have not forgotten the actuarial statement which my hon. friend, the Minister of Finance, gave us last year. He declared that a sum of $8,853,504 would provide for the construction of 1,875 miles of railway, costing, according to his estimate, $54,609,676. He made that declaration although he admitted that the Government would receive no return for its outlay upon the road until seven years after its completion. I do not wish to misrepresent my hon. friend. He said that the Government could take that sum and place it in the hands of a trust company and that it would provide for everything the Government would have to pay in respect of interest until the Grand Trunk Pacific began to make its payments of rental at the rate of three per cent. on the cost of construction. If the sum, or a little more than the sum, of eight and three-quarters of millions of dollars would provide for the construction of 1,875 miles of railway under such conditions, how much would it take upon the same basis to provide for the construction of the western division of this railway? The western division of this railway, according to the

estimate of the directors of the Grand Trunk Railway Company, apart from interest, will cost, for the 1,000 miles of prairie section, $20,000 per mile, or $20,000,000, and, for the 500 miles of mountain section, $50,000 a mile or $25,000,000. Add these together, and you have $45,000,000 as the cost of the western division of this railway. In respect to the prairie section, you are not to consider that you will receive no return until seven years after completion. Sir Rivers-Wilson, in his letter to the Government, or in his address to the shareholders, has said that the prairie section would be immediately profitable, that it would be immediately a paying section, and he declares that the Government have taken that view. So you do not have the same condition that you have as to the eastern division. Therefore, I say that, applying the argument which my hon. friend, the Minister of Finance thought proper to present to the House and the country last year, you could take $5,000,000 or $6,000,000 and provide for everything that the Government would have to pay in respect to the interest on the construction of the western division until that road became profitable. If that was a good argument last year in the mouth of the Minister of Finance, and it was hailed with acclaim by every member of the Government and by every hon. gentleman on that side of the House, why can we not apply it to the western portion of this railway?

My hon. friend spoke about a surplus. He said: We have a surplus of $15,000,000 and it will take only half of that surplus to provide for the construction of this eastern division. Does he realize that according to his actuarial argument it will only take one-third of that alleged surplus for one year to provide for the construction of this western division? Can any better use be made of the excessive taxation wrung from the people of this country, than to provide the people of Canada with a thoroughly national system of railways extending from the Atlantic to the Pacific! This was supposed to be an excellent argument last year for the eastern division; I beg the Finance Minister to apply it in all sincerity to the western division!

Once more I ask my right hon. friend to retrace his steps, to consider what can be done with $5,000,000 or $6,000,000 in the construction of this western division and to keep for the people of Canada this magnificent asset in the shape of a great national railway in the Northwest Territories. I trust that I shall not appeal to my right hon. friend in vain. He himself has shown that it is not too late; the Government have gone back once, let them go back again, and this time let them go back to some purpose in the interest of the people of this country.

SPEECH

OF

MR. R. L. BORDEN, K.C., M.P.

In the House of Commons

ON THE

THIRD READING OF

The National Transcontinental Railway Bill

OTTAWA, THURSDAY, MAY 26, 1904

Mr. R. L. BORDEN (Halifax).—Mr. Speaker, the contracts which, in their amended form, have been submitted to parliament for ratification during the present session, are of a somewhat complicated and extraordinary nature; and although we have occupied a good many days in discussing their provisions, I think it necessary at this stage to go over some of the ground perhaps already traversed and to submit certain considerations to the House and the country. I have said that this contract, as embodied in the amended agreement, is of a somewhat complicated nature, and I think I am not far from the mark in believing that not many members, even of the cabinet, understand it thoroughly, while very few of their followers pretend to have studied it at all. The Minister of Railways (Mr. Emmerson) may thoroughly understand it, but up to the present he has not given us any light on the subject, and we are entirely in the dark as to the construction he puts upon its various clauses. We have been told by hon. gentlemen who have supported this ministry, one of whom is supporting it at present in this House, that all these matters are decided in caucus and that all discussion in the House is absolutely idle and unnecessary. That was in effect the language of the late Mr. Jamieson, who at one time represented in this House the city of Winnipeg, and it is the language used

only very recently by the hon. member for the city and county of St. John (Mr. Tucker), who told the people of St. John, in so many words, that all these matters are decided in caucus and that discussion in the House is absolutely futile and unnecessary. Well, Mr. Speaker, I do not so regard the institutions under which we are carrying on the government of the country; and, therefore, notwithstanding that these agreements have been discussed at some length, I desire to add a few words.

I have remarked that not many members of the cabinet thoroughly appreciate this agreement, and even those of them who during the past four or five weeks have undertaken to discuss the subject have not always shown themselves thoroughly familiar with its provisions. The right hon. gentleman who leads the Government told us even this year—and his remarks will be found on pages 2512 and 2513 of "Hansard"—that the Grand Trunk Railway Company is liable to pay three per cent. on lease of the eastern division. As a matter of fact, it is not liable to pay one cent.

The Minister of the Interior told us that the additional stipulations contained in the amending agreement do not impose one dollar of additional liability on the country, and his remarks in that regard were endorsed by the hon. member for Annapolis (Mr. Wade). Yet it has been demonstrated beyond a doubt that these amending provisions impose a very large additional burden of taxation upon the ratepayers of this country.

We also heard from the Minister of the Interior that the Grand Trunk Railway is bound, under the terms of this agreement, to provide working capital and necessary betterments. As a matter of fact, the Grand Trunk Railway is under no legal obligation, under this agreement or otherwise, to provide any working capital or necessary betterments.

Is it to be a National Railway?

Having said so much to show that even by those members of the Government who have given particular attention to the measure, its provisions are not always thoroughly understood and appreciated, let me come to analyse the proposition and see whether or not it is designed to carry out the object laid down by the First Minister when he introduced the measure last year. He proposed to establish a national transcontinental railway from ocean to ocean on Canadian soil, and to do that for a certain reason—that reason being the danger of which he appeared then to be convinced, but of which we have not heard him say much since—the danger of the abrogation by the United States of the bonding privilege. How does the Government propose to attain the object which the right hon. gentleman has in view? Let us consider for a moment what the proposal really embodies.

It is intended to accomplish this result by the following means:

In the first place, we are to build the difficult portion of the line, about 1,900 miles from Winnipeg to Moncton, at a cost of not less than $76,000,000. Then we are to give this portion free to the Grand Trunk Pacific for ten years, without interest or rental. We are then to lease it for forty years additional to the Grand Trunk Pacific at a rental of three per cent., which will probably be less than the interest the Government will have to pay on the cost of construction. And although we have asked the Government to amend this provision so as to provide that the country shall receive in the shape of rental at least as much as it pays in interest, that amendment has been voted down.

They next propose to grant running powers to the Grand Trunk Pacific for fifty years additional over the eastern division, or in the alternative to give a lease for fifty years additional after the period of the first fifty years shall have expired. In other words, the Grand Trunk Pacific is to have a lease or control by running powers for at least one century over the eastern division.

In the next place the Government permits the company to control all terminals on the eastern division, so that the Government must eventually concede any terms which the Grand Trunk Pacific may dictate at the expiration of the lease. Then they permit the Grand Trunk Pacific to build branch lines from the eastern division to important strategic points and to retain such of these lines as are profitable and force the Government to buy such as shall be found unprofitable.

Canadian Traffic Diverted to U.S. Ports

Following this, it has been agreed apparently—if we may judge by the language of Sir Charles Rivers-Wilson and Mr. Hays at the meeting of the Grand Trunk Railway shareholders—to subsidize lines from the eastern division to Port Arthur and North Bay, although the Prime Minister has said that the freight which goes to North Bay must necessarily go thence to Portland.

In the next place, the Government refuse to impose on the Grand Trunk Railway stipulations which would prevent that company from carrying western freight to Portland. That subject has been brought to the attention of the Government over and over again. First by one and then by another amendment, we have asked the Government to impose on the Grand Trunk Railway those stipulations which they regard as of so much importance when imposed upon the Grand Trunk Pacific, and in every case, for one excuse or another, our amendments and requests to that effect have been voted down and refused.

Then the Government has refused to take such powers as would enable it to prevent the Grand Trunk Railway from unfairly apportioning the rates as between its system and the system of the Grand Trunk Pacific.

In the next place, it has so framed this contract that the Grand Trunk Railway Company can acquire, hold and utilize terminals so as to place the Government absolutely at its mercy on the conclusion of the lease.

In the next place, the Government has left it open for the Grand Trunk Railway Company to carry Canadian through traffic either via North Bay, or via lake ports, or via Chicago to its terminals in the United States. That is beyond doubt. It cannot be controverted. We have the declarations, or I should say we have the admissions of the ministers of the Crown to that effect.

In the next place, the Government has permitted the Grand Trunk Company to expedite the surveys of this line from North Bay to Winnipeg, with a view to the early construction of that line, so that channels of trade reaching to and connecting with the United States terminals of the Grand Trunk Railway will be established to the detriment of the eastern division and to the detriment of the country, and especially to the detriment of the maritime ports of Canada. The right hon. gentleman (Sir Wilfrid Laurier) has sometimes at least, been very frank as to the effect of this contract. For example, at page 1639 of "Hansard," quoting us of the opposition, he represents us as saying to the Government:

> We cannot support your scheme; but while we cannot support your scheme, we ask you to support our scheme for bringing the traffic from Winnipeg to North Bay——

And then he interjects:

> "SURELY THEN IT WILL GO TO PORTLAND."

Further on, he says:

> —I have read his (Mr. Borden's) speech carefully, and I must say—it may be my fault and I shall be glad to be illuminated—if he will explain how, having brought the freight from the West to North Bay, he can send it on to St. John and Halifax, over the Grand Trunk, I will be glad to hear him.

Well, I promised my right hon. friend some answer with regard to that, and I will answer him now. That freight which comes from west of the great lakes to North Bay can be carried to the national ports of Canada on the St. Lawrence or in Nova Scotia or New Brunswick if you extend the Intercolonial westward to North Bay. In that way you secure, and in that way alone, I believe, can you secure the carriage of western traffic to the national ports of Canada on the St. Lawrence and in the Maritime Provinces. But, if the right hon. gentleman thinks that traffic carried to North Bay will assuredly go to Portland how is it in the first place that he is authorizing the Grand Trunk Pacific to build a branch line to North Bay; and how is it, in the second place, that he has allowed to stand without contradiction for two months the statement of the president of the Grand Trunk Company that that line is to be subsidized by this

Government as well as by the provincial Government of Ontario? If that line is so to affect the traffic of this country to the detriment of our national ports, why is it the policy of the Government not only to permit the building of that line, but by the granting of a very ample subsidy to aid the building of it as a connection of the Grand Trunk Railway and to give the absolute control of it to the Grand Trunk Company?

Inconsistencies of Government Supporters

I am corroborated to a very great extent by certain utterances in the past—not in the very recent past—by my hon. friend, the hon. member for Hants (Mr. Russell). For, although the hon. gentleman's voice has not been raised in this House very strongly in favor of Government ownership during the present session, yet the time was, and not so many years ago, when that hon. gentleman thought that the salvation of our national ports in the Maritime Provinces was to be found in the extension of the Intercolonial to Georgian Bay. And let me say that a great many of these gentlemen who in days gone by—and not so very long gone by—were agitating Government ownership, and almost staking their political lives upon their belief in that policy, are now strangely silent in this House, and their only answer when that policy is advanced by hon. gentlemen on this side of the House is to suggest, forsooth, that those who advocate that policy are not sincere. Well, if anything is to be said about sincerity, one would think that the reproach would rather lie at the door of those, who, in days gone by, when this was not so much an issue in this country, were loud in their professions of faith, but who now find the shackles and fetters of party discipline altogether too strong for the expression of what I cannot but think is still their sincere faith. None of these gentlemen, and especially none of those who have been elected as so-called independents, should make any suggestion as to lack of sincerity. These gentlemen had better square themselves with their past professions before attempting to read a lecture on the virtue of sincerity to hon. gentlemen on this side of the House.

But I must come back to my hon. friend from Hants (Mr. Russell), who has made a very considerable study of railway subjects, I believe. Let me refresh that hon. gentleman's memory as to what his policy and his faith were in days gone by. The hon. gentleman may have forgotten a letter which he wrote to the editor of the Toronto *Globe,* and which was published in that newspaper on January 11th, 1899. I attach importance to his remarks because at that time he represented the constituency of Halifax and was speaking from a maritime standpoint, and especially from the standpoint of the port of Halifax. I quote a portion of his letter only:

> I hope that if any possibility is presented of accomplishing such an object, the government will not lose the opportunity.

The object, as will be seen by the context, was the project of extending the Intercolonial to Georgian Bay. He continues:

> The extension to Montreal was simply the logical sequence of the purchase of the section between Lévis and Rivière du Loup and the extension to the waterways of the great lakes would be a still further and equally logical sequence of the steps already taken. . . .

I believe that my hon. friend (Mr. Russell) during the present session has manifested a very great disbelief in the policy of Government ownership. He has suggested that any person who expresses a belief in the possible advantages of Government ownership cannot really be sincere. He thinks that those of us on this side of the House who have to some extent advocated that policy have done so altogether without sufficient study of the question. Yet, he possesses so high an opinion of his own ability that he fully believes that five years ago he was in a position to advocate this policy, and that we, after five years have intervened, and after we have been studying the question in that intervening period, are not in a position to pronounce on a question on which he was fully able to give an opinion five years ago. Thus, he does not seem to be unduly modest. But let us proceed further with his remarks:

> It is a worthy aspiration for us to cherish that the mighty and ever swelling stream of Canadian commerce should not continue to flow for evermore for the enrichment of alien cities.

My hon. friend was full, then, of good strong Canadianism. He had sympathy with the maritime ports, a sympathy which seems strangely to have deserted him in these latter days. He continues:

> The day must come if we are not to prove recreant to the ideals with which we entered upon our national undertaking, when the Intercolonial Railway will be the whole year round carrying the produce of our western fields through the gateway of a Canadian port for shipment to the millions of Europe.
>
> Mr. Blair explained a few days ago to the Halifax Board of Trade how improbable it was that either the Grand Trunk Railway or the Canadian Pacific would hand over to the Intercolonial at Montreal any considerable portion, if any portion whatever, of the traffic originating on those lines. The grain carried as far as Montreal by the Canadian Pacific when not shipped at that port will continue to be carried over the Canadian Pacific until it reaches its ocean terminus at St. John, and the traffic originating on the Grand Trunk will under like circumstances continue to be carried over the Grand Trunk until it reaches its ocean terminus at Portland. The Intercolonial must as to this class of business for ever continue to play second fiddle to these great company lines until it can establish a connection that will plant it right in the heart of the great distributing centres and emporiums of the west.
>
> Not until then will it ever be in a position to compete on even terms with its rivals for the grain-carrying business of the Dominion.

And now I commend to my hon. friend from Hants (Mr. Russell) and to those gentlemen on the other side of the House who have ridiculed the purchase by this country of the Canada Atlantic Railway, the passage which immediately follows. It is this:

If anybody can suggest a better move in this direction than the acquisition, if necessary, of the Parry Sound road, he should have the floor. . . .

My hon. friend (Mr. Russell) apparently could not find any one else to take the floor and so he took the floor himself and proceeded to demonstrate that what he had pronounced perfect wisdom a few years ago is now the most absolute folly. But he continues as follows:

. . . Give us a through line to the grain distributing centres of the west, and the country will no longer be beholden to a company road running through a foreign territory, nor pay tribute to the seaports of a foreign country. We shall have for the first time in our history all the year round an all-Canadian route for the transportation of the harvests of the Dominion to the markets of the world.

Canadian Ports or U.S. Ports

My right hon. friend (Sir Wilfrid Laurier) has, however, developed a theory on this subject, which is worthy of attention, and to which I propose to give attention for a few moments. He said, speaking in this House during the present session, as reported at pages 2510 and 2511 of "Hansard":

We cannot undo the past altogether; Portland has been made the winter terminus of the Grand Trunk Railway Company. I do not expect that they are going to abandon what they have. I expect, on the contrary, that Portland will serve the Grand Trunk as a winter port for the trade that they now have. But I expect that the trade of the future which is to be gathered by the Grand Trunk in the west will be brought down to some Canadian harbor on the Atlantic shore. At all events that is our policy.

Now it may be the policy of the right hon. gentleman and it may be his sincere desire, but will he or any hon. gentleman on the other side of the House point out to me how it is that you are to have the traffic at present gathered up by the Grand Trunk Railway Company carried to Portland, and how, at the same time, you are to have the new traffic which they will gather in the west carried to our Atlantic ports? That is a proposition which I for one am absolutely unable to understand. Let me point out that not one syllable or suggestion of that kind is to be found in the language of the magnates of the Grand Trunk Company at their meeting. Sir Rivers-Wilson and Mr. Hays distinctly point to the conveying of traffic across the great lakes and to the Grand Trunk handling that traffic and carrying it and routing it in exactly the same way as they handle and carry and route their traffic at the present time. There is not a syllable or suggestion of any abandonment of their former policy. The traffic which they get from the west at the present time is carried to Portland. They bring it across the great lakes and their railway takes it at certain ports on the east side of the lakes and they carry it to Portland as their winter terminus. How are you to distinguish what they gather up in the west at present from what

they will gather in the future, and how are you for one moment to believe that any portion of that additional traffic which they will gather up in the west shall be taken to any other terminus than that to which is carried all the traffic they now control? The suggestion seems to me to be absurd and laughable. There cannot be any question about it. They carry to Portland the trade which now comes to them from the west, and they will carry to Portland in the future the trade which they gather in the west by means of the Grand Trunk Pacific. I challenge my hon. friend to point to any reason that should lead us to believe that western traffic which, as Mr. Hays says, will come across the lakes or to North Bay will be carried to the maritime ports of Canada.

Indeed, the Grand Trunk Company at the present time does not deliver to the Intercolonial the traffic which we were supposed to be entitled to under that agreement of which we heard a great deal in days gone by—and thus traffic which should go to the Maritime ports of Canada is even now diverted to Portland.

To a Railway Corporation its own Interest is Paramount

There cannot be much doubt about where it is profitable for the Grand Trunk to carry this traffic. We have some interesting admissions on that point by three members of the Government and I think that all who know railway corporations can certainly agree in this very reasonable proposition that railway corporations will carry freight to the point which will afford them the most revenue. They will use that route which is the most profitable to them and will influence the shipment of grain or any other commodity along that route which will be of most importance to them from a revenue paying standpoint. There cannot be any doubt about that; it is admitted and conceded by all of us. Now I had a little discussion on this point with my hon. friends, the Minister of Justice and the Minister of Finance last year. My hon. friend the Minister of Justice was very frank about it. He said in debate last year:

> Our great competitor in the English market is the United States, and for six months in the year, yes for seven months in the year we are depending upon our chief competitor for an outlet to that market for our Canadian products.

The Minister of Justice so absolutely overlooked our Maritime Province ports that he declared we had no winter port in Canada and that the traffic must therefore go to Portland. I must remind him once more that we have some of the best harbors in the world in the Maritime Provinces, and that these harbors are open all the year round and are ready to do business all the year round if the policy of this Government will enable them to acquire that business. He went on:

Is that wise or is it prudent? How can you get out from Montreal in winter except by way of Portland or Boston or New York?

I point out once more that you can get out by Halifax, St. John, Sydney or half a dozen other ports. He continued:

The MINISTER OF JUSTICE. Halifax competing with Portland? It is double the distance practically.

Mr. BROCK. What is the use of talking?

The MINISTER OF JUSTICE. What is the use of talking? Can we shut our eyes to geography? Can we shut our eyes to facts? How much of the trade of Montreal has gone to Halifax? How much grain has gone from Montreal to Halifax or to St. John? How much of our food products have gone that way? Invariably they have gone to Portland or to Boston or to New York. As Portland is to the Grand Trunk Railway so Boston is going to be to the Canadian Pacific Railway.

That is the view the Minister of Justice took. He directly declares that the maritime ports must be ignored and disregarded. As to present traffic conditions I do not think that so far as St. John is concerned he is accurate, because the Canadian Pacific Railway has done a larger business with St. John this year and made larger shipments from St. John than at any time in the past. I believe that the bulk of their ocean traffic has gone there. The Minister of Finance discusses the matter in the same way:

The MINISTER OF FINANCE. They might carry it to Portland if they were perfectly free; but under the present contract they are obliged to give the same rate to St. John or Halifax as to Portland.

Mr. BORDEN (Halifax). They will give the same rate, but it will be to their interest to carry it to Portland.

The MINISTER OF FINANCE. Undoubtedly they would make more money by carrying it to Portland but we do not intend to permit them to carry it there.

Mr. BORDEN (Halifax). Where is the restriction to prevent them?

The MINISTER OF FINANCE. By the fact that the Canadian rate is not greater than the American rate, and we will trust to the patriotism of the Canadian shipper that when the rate to a Canadian port is not greater than to an American port, he will ship by the Canadian port.

Now, I have cited that for the purpose of showing that ministers of the Crown are not altogether in agreement with each other. The hon. Minister of Finance relies in the ultimate result upon the patriotism of the Canadian shipper.

Mr. FIELDING. At an equal rate.

Mr. R. L. BORDEN.—At an equal rate. We will see later what the hon. Minister of the Interior (Mr. Sifton) thinks about it. At an equal rate the hon. Minister of Finance relies upon the patriotism of the Canadian shipper so that in the end the country is spending, or at least incurring, obligations to the extent of $150,000,000

or $170,000,000 to obtain an equal rate to the Portland rate, and then it relies on the patriotism of the Canadian shipper to overcome the control and self-interest and influence of the Grand Trunk. Well, one would think that when in dealing with a great railway corporation like the Grand Trunk Railway Company, which is always ready to consult its own interest, the Government would, under such circumstances, be inclined not to rely altogether upon the patriotism of the Canadian shipper who is thinking, I suppose, of the economical way of shipping his goods, and of little more, but that the Government would see fit to impose stringent stipulations and conditions upon that great railway corporation having its terminals in a foreign country and would thus supplement the patriotism of the Canadian shipper by compelling the Grand Trunk Railway to attempt no diversion of traffic to its own foreign port.

But, how does the hon. Minister of the Interior regard this subject? He says:

> If the railway which we propose to construct from Winnipeg to Quebec and from Quebec to Moncton will not enable the company operating the road to transport the traffic to Quebec and the maritime ports more economically than it can be carried by bringing it south to the older part of Canada, and so to Portland, I should not hope that the object would be effected, I should not hope that the enterprise would commend itself to the judgment of the parliament of Canada.

Therefore, we first have the hon. Minister of Finance admitting that the traffic can be carried more profitably by the Grand Trunk Railway Company to Portland, and then we have the hon. Minister of the Interior saying that if this traffic cannot be carried more economically by way of Maritime Province ports he does not hope for very much from this contract. Put these two things together and where do you find the Government? You find the Government putting forward and advocating a measure, which, according to the conclusions stated by the Government through these two ministers of the Crown, must inevitably continue to send our traffic to Portland in the future as in the past. Let us remember that the Grand Trunk Railway Company has valuable assets in the United States of America, that it has great terminals in Portland and Chicago and that it owns the United States railways connecting with those terminals. Upon the capital invested in these railways and terminals the Grand Trunk Railway Company must earn dividends, and notwithstanding that it is supposed to pay rental on the eastern division I venture to think that the capital invested in these terminals in the United States will be of more importance to it than the rental on the eastern division.

I do not know what it may mean but it is at least significant that when the president of the Grand Trunk Railway Company was expounding this scheme to his shareholders and when he was stating

the annual obligations of the Grand Trunk Railway Company under the proposed scheme which were not to take effect for, I think he said, eighteen years, and which were to amount to about £118,000 a year, he said not one single word about the payment of rental on the eastern division beyond a casual reference to it in the first part of his speech. We find him referring to everything else, but we do not find him making any reference to the rental of the eastern division. The Grand Trunk Railway Company can by the apportionment of rates give an arbitrary value to its Portland terminals and make this eastern division absolutely unprofitable. Let us remember what might result in that case. Paragraph 19 of the original agreement says that the rates may be apportioned according to the "usual practice." The usual practice between railway companies, as I am informed by those who are qualified to speak, would permit the Grand Trunk Railway Company, and with some show of reason, to fix an arbitrary value upon its Portland terminals, and in that way to make the eastern division absolutely unprofitable, and then the Grand Trunk Railway Company, or the Grand Trunk Pacific Railway Company, as you may term it for the time being, could come to this Government and by the same influence which has procured these concessions obtain from the Government either relief from the payment of this rental or a new agreement in regard to the terms upon which it shall continue to operate that railway.

Conditions When C.P.R. was Constructed

Let us now look for a moment at the contract proposed by the Government in so far as it affects the western division. Comparisons have been made by those who, I suppose, have no better argument, between the proposal which is now submitted to the country and the agreement which was made with the Canadian Pacific Railway Company some twenty-three years ago. We are told of the land grant, we are told of the cash subsidy, but I do not recollect that any of those hon. gentlemen on the other side of the House who have discussed the subject ever remember that their own political friend, the administration of the late Hon. Alexander Mackenzie, made a better offer to any one who would be willing to build the Canadian Pacific Railway than the offer which eventually was accepted. Let us remember that as a starting point and let us remember that the conditions in the Northwest Territories of Canada were absolutely different at that time from what they are at the present day. There was not any one of these hon. gentlemen who now so loudly talk about the resources and the development of the Northwest who had one iota of faith in the future of that country. The Minister of Trade and Commerce had no faith in it. He has now, he says, great faith in it. The right hon. leader of the

Government (Sir Wilfrid Laurier) did not then, in so far as I am aware, exhibit any faith in the future of that country. These hon. gentlemen we found decrying the country, and now, when the country has been developed and advanced by the very policy that they denounced, they venture to make a comparison between the terms which we then conceded to the Canadian Pacific Railway Company and the terms which are now offered to the Grand Trunk Pacific Company. Do not these hon. gentlemen who make that argument agree with the view of the hon. Minister of the Interior and the hon. Minister of Agriculture (Mr. Fisher) who pointed out in glowing terms during the past session that the proposition now offered to the Grand Trunk Railway Company is perhaps the best railway proposition that was ever offered in the world? Do they not remember that the Northwest has been developed, that its value has been ascertained, that the splendor of that great asset is now realized by the people of this country, aye, and by the people of other countries, and that it is under absolutely different conditions that we are now making a bargain with this company that proposes to construct a railway in the Northwest Territories of Canada? Let us remember that the Canadian Pacific Railway Company, which they derided in days gone by, that railway which they said would not pay for the grease used upon its axle wheels, that company which they said proposed to construct a line through a country only fit to be the home of the bear and other wild animals, now yields annual profits in the shape of net earnings to its shareholders of fifteen millions and over. Conditions are so absolutely different they make an absurd comparison when they compare this proposal with that which was offered to the Canadian Pacific Railway twenty-three years ago.

The Grand Trunk Scheme

What does the Government propose to do for the Grand Trunk Railway Company? In the first place let us always and constantly bear in mind that there has been an exhibition of shrewdness and skill in the framing of this scheme on the part of the Grand Trunk Railway Company which has never been surpassed before. The Grand Trunk Railway Company did not go into this scheme itself under its own name. It took good care to organize, as its president has stated, a subsidiary company; and the advantage of that is this, that the subsidiary company, in which no capital at all will be invested, will make all the contracts and incur all the responsibilities, which it can very easily and very lightly evade, while the Grand Trunk Railway Company without committing itself in any way to the obligations of the contract will obtain all the advantages and all the profits, by means of controlling the Grand Trunk Pacific Company, and by means of the possession of its common stock, which it will receive at a nominal value, and which it will dispose of no doubt at a very considerable profit. Therefore, the Grand Trunk

Railway Company, under this scheme, occupies the enviable position of having all the advantages and all the profits, and incurring none of the responsibilities or disadvantages.

Well, beginning at that standpoint—and it is a very excellent one for the Grand Trunk Railway Company—let us see what the Government propose to do. In the first place, they propose to guarantee three-fourths of the cost of 1,000 miles of the prairie section. In the next place, they propose to guarantee three-fourths of the cost, no matter what it may be, of the 500 miles of mountain section. In the next place, they propose to pay interest for seven years after the line is in operation, and without recourse, on the bonds which the Government guarantee in respect of the mountain section. In the next place, they propose to permit the interest for three additional years on bonds guaranteed in respect of the mountain section to be capitalized and added to principal. Then, on these sums, which must be advanced by the Government during this period of three additional years, the Government exact no interest from the company at all; but during a period of from forty to fifty years that interest runs on until eventually the capitalized sum is paid. Further than that, the Government agree to implement the bond issue on the whole western division in case the bonds shall be sold below par, to make them as good as par; and in that way, under the amended agreement, they materially increase the country's liabilities.

But that is not all, although one would suppose that in all conscience it was enough. The Government agree to pay a further four and a half years' interest on the bonds guaranteed by the Government over the whole western division, and to make that advance without interest for a period of about forty years. So that, summing all these up together, you see that the Grand Trunk Railway Company has certainly a very good proposition in respect of the western division. This payment by the Government of four and a half years' interest is permitted because that will logically and naturally follow from the terms of the agreement. There is no foreclosure; and entry into possession by the Government cannot take place until the Grand Trunk Pacific Railway Company is in default for five years; and one can easily see that the Grand Trunk Pacific Railway Company will allow its interest to be in default for four and a half years, and after that will see that it is not further in default. Thus the Government will have made an advance of four and a half years' interest, upon which it will receive no return whatever until the fifty years period has expired.

What next? Formerly we had the security of mortgage. Now we have no mortgage. We have simply what was formerly a mortgage reduced to the security of an ordinary charge. We formerly had a first mortgage, while the Grand Trunk Railway Company had a second mortgage. Now the Grand Trunk Railway Company is placed on an absolute equality with the country, because when the Government enters into possession and the interest on bonds must

be paid out of the earnings of the road, the Grand Trunk Railway Company's bonds will participate proportionately with the bonds secured by the mortgage of the country. It must be borne in mind that I am putting this aspect of the question perhaps not quite fairly to the country, because, as a matter of fact, the Grand Trunk Railway Company's bonds would be in a better position than those guaranteed by the country, for this reason; that there is no restriction on foreclosure proceedings by the Grand Trunk Railway Company, and the Grand Trunk Railway Company by the control which it exercises over the Grand Trunk Pacific Company, can always see that the earnings of the Grand Trunk Pacific Railway Company are applied in payment of interest in the bonds guaranteed by the Grand Trunk Company, and not for interest on the bonds guaranteed by this country. So that, as a matter of fact, although ostensibly the bonds are placed on an equal footing, nevertheless in reality and in the practical working out of the matter, the Grand Trunk Railway Company will be in a better position than the Government of this country with respect to the payment of interest.

The Government has given up its right of foreclosure. In place of foreclosure, and title consequent on foreclosure, which could be secured formerly, it has simply a right of entry. That, instead of being an advantage, is a liability, because it will be only exercised in case of default. That default will only take place in times of stringency; and when those times of stringency come, the Government entering into possession will be bound to see that the road is maintained and in operation. So that the right of foreclosure having been abandoned, the Government has no effective remedy until after fifty years from the date of the bond issue. It obtains no running rights over the western division after the expiration of fifty years, although it concedes to the company such running rights over the eastern division. It assumes more than three-fourths of all the obligations necessary to build the road from Winnipeg to the coast, but secures absolutely no compensating advantages. It permits the Grand Trunk to obtain for very moderate support $25,000,000 of the common stock of the Pacific Company, while the Government, for three times, aye, ten times that support, obtains not one dollar of stock or other compensating advantages. Indeed, the terms of this bill and this contract would permit the Grand Trunk Railway Company to obtain the whole $45,000,000 of common stock, although as a matter of fact only $25,000,000 are to be forced on the Grand Trunk Railway Company in return for what it calls its support, that support consisting of the deposit of $5,000,000, which the president of the Grand Trunk Railway Company said will not cost his company one cent, and the guarantee of one-fourth of the bonds on the western division, which are secured by the mortgage of the road, and which are placed on an absolute equality with the bonds of the Government. Then, last but not least, the

Government in return for all this secures no greater control of rates than that which is created by the general law of the land. So that, as I said before, there are absolutely no compensating advantages which can be called at all adequate in view of the enormous aid which this country is giving towards the construction of this railway.

Why Further Concessions?

Now, Mr. Speaker, it is an interesting question why this Government, having last year made a bargain which the Minister of Trade and Commerce (Sir Richard Cartwright) declared to be fair not only to the people of this country but to the Grand Trunk Railway Company, after that contract was thoroughly understood by the gentlemen representing that company, and after it was announced to the people of this country months after parliament had prorogued that that contract would be carried out—it is an interesting question, I say, why these concessions have been made. One thing is absolutely certain, and that is that the Government did not make them voluntarily. They have told us that themselves. I have their language under my hand; but I will not weary the House with it. The Minister of Finance, the Minister of Customs, the Minister of the Interior, have each declared that the Government would have preferred the terms of the contract as it was approved last year, but that they could not adhere to the terms of that contract. They could not adhere to that contract because the Grand Trunk Railway Company would not permit them to do so.

The Government take a somewhat supplicatory attitude with regard to this modified contract. They say: Do not blame us; we did not want to make these concessions; we preferred the contract as it was; it was a fair contract, but the Grand Trunk Company has compelled us to make these concessions, and therefore we are obliged to make them. Well it is somewhat peculiar to have a contract, which was fair to the corporation, amended by further enormous concessions to that same corporation, and to be told in the free parliament of a free people that these concessions were forced upon the Government by this corporation. It is a strange condition of affairs, but it is a condition of affairs which is declared by no less than three responsible ministers of the Crown, and we are obliged to take their word for it. Therefore, we must assume that there is some influence, which has apparently not been disclosed to the people of this country, and which compels the Government to yield everything that the Grand Trunk Railway Company demands.

Mr. Speaker, I have run over thus briefly the provisions of this contract. I want now to say a word or two about the amendments which we have offered, and to make an observation or two

on the reasons why we offered them and on the arguments which have been evoked from the Government in voting them down.

I myself moved during the present session a resolution setting out our preference for a policy of Government construction in place of the policy which the Government is now advancing. My hon. friend from West Toronto moved another amendment demanding that the people of this country should be consulted before this enormous liability should be entered into upon terms so onerous to the country. That amendment was voted down—it is true, by a small majority—a majority of only 19, but still a majority sufficient for the purpose of carrying through this measure.

Our other principal amendments may be briefly enumerated. First, we moved an amendment to oblige the Grand Trunk Railway Company to pay par for the common stock which it acquires in the Pacific Company. We moved that so as to prevent the rates payable by the people of this country in the future from being affected by watered stock, as they have been affected in the past, not only in this country, but in the United States. I have been reading some works on the history of rates and the management of railways in the United States. I have not time to-day to go fully into that subject; but there is not the slightest doubt that in the United States the amount of stock held by bona fide holders has influenced rates, and has been taken into consideration by those who have the control of rates in that country. We do not want any watered stock, and therefore we asked the Government to oblige the Grand Trunk Railway Company to pay par for any common stock which it might acquire in the Pacific Company; but the Government called up its obedient majority, and voted down that amendment.

In the next place we moved an amendment declaring that the Grand Trunk Railway Company, as it controls the Pacific Company, and as it will control it, ought to agree to carry out all the engagements of that company. Again our amendment was voted down, although there seemed to be good reasons to support it. Inasmuch as the Grand Trunk Railway Company obtains all the advantages under this contract, it ought surely to accept the engagements which the Grand Trunk Pacific Company is nominally assuming.

In the third place, we moved a resolution providing that the rates for carriage between Canadian inland points should not be greater than the rates charged between the same points by any route not wholly Canadian. We demanded this in order that traffic might not be diverted to the United States lines south of Winnipeg owned or controlled by the Grand Trunk; and again our amendment was disregarded by the Government and again voted down.

We asked that rates upon this line should not exceed the lowest rates between corresponding points by the Canadian Northern Railway, a fairly reasonable proposition; because, apart from that, we have not any control of rates except that afforded by the general law of the land; and the arrangement which the Canadian Northern Railway had entered into with the Government of Manitoba seemed to afford some guarantee at least that the rates on that line would be fairly low.

In the next place, we moved a resolution that the Grand Trunk Railway Company itself should not in any matter within its power, directly or indirectly, permit, advise or encourage transportation of traffic by routes or at rates other than those in the said agreement provided; and again the Government called up its obedient majority, and that most important amendment was voted down. That amendment should not have been voted down if the Government had at heart the interests of the national ports of Canada. The danger is not from the Grand Trunk Pacific Railway Company, because it has no terminals in the United States, and because it will not control even its own railway. The danger is from the Grand Trunk Railway Company, which is given absolute control, and which has its enormous interests in Portland and Chicago. But when we asked that that Company should be bound by the stipulations contained in this contract against the diversion of the traffic, every hon. gentleman on the other side of the House, even those who shouted most loudly for the interests of our Canadian ports, stood up manfully and voted down our proposal.

We moved an amendment that the Government should have power to enforce a fair apportionment of rates between the Grand Trunk System and the Grand Trunk Pacific system, a most important amendment; but the Government called on their supporters to vote that down also.

We moved that the rental of the eastern division should be secured upon the property of the Grand Trunk Pacific. That also was rejected.

We moved that the Grand Trunk Pacific Railway Company should pay a fair rental for any temporary lease of the line from Winnipeg to North Bay. The Government did not approve of that amendment and rejected it.

We asked by an amendment that the Government should supervise any agreement between the two companies respecting the issue of stock by the Grand Trunk Pacific Company, and thus prevent the creation of watered stock. The Government has made a most ignominous surrender with regard to that. Last year over and over again ministers of the Crown declared that the rates payable by the

people of this country might be affected by the issue of stock. This year they have permitted the Grand Trunk Railway Company to do that which it was forbidden to do last year. Watered stock is now to be permitted under this contract, and our amendment asking that it should not be permitted was voted down by that same obedient majority which was relied on with regard to the other amendments.

We asked that the Government should receive shares of the common stock of the Grand Trunk Pacific Company in proportion to the support given by the Government to the enterprise—that the people of this country, who not only build the whole of the eastern division—1,900 miles—but are giving three or four times the support to the western division—1,500 miles—that the Grand Trunk Railway Company is giving, should be considered in the apportionment of stock, that the interests of the country, as well as the interests of the corporation, should be considered. Once more the government called up their majority so trustworthy and voted this down.

We asked further that alien labor should not be employed in the construction of this railway except where the Department of Labor found it to be necessary. A new-found zeal for the interests of labor was then displayed by the Government, and we are promised general legislation to that end. In the meantime, however, we have asked that a special stipulation should be inserted in this contract in order that the Grand Trunk Railway Company should receive notice that in the surveys and in the construction of this road preference must be given to British labor, and in order that those now controlling the surveys and the construction of the road should clearly understand that other things being equal the preference must be given to our own citizens.

In the next place we moved that the stock of the Grand Trunk Pacific should not be placed upon the market unless issued payable at par. Surely that was reasonable. Surely it is not the policy of this Government that stock issued at five, ten or fifteen cents on the dollar should go subsequently into the hands of bona fide holders at par, and stand in the fixing of rates as if it had been sold in the first instance at par. Surely the policy of the Government is not a watered-stock policy; yet that is the policy contained in this contract. In fact, so far as this stock is concerned, it may be said that it is not even a good quality of water, and the simile has been used that it is only froth. A watered-stock contract is, however, what the Government is submitting to us, a watered-stock policy is what they are advocating. If that be not the case, why did they vote down our amendment that the stock of the Grand Trunk Pacific should only be placed on the market if payable at par? Is there any reason why the people of this country should be saddled down with rates

raised to an undue point because the stock does not represent capital invested, but merely the profits of the promoters?

In the next place, we asked that a provision be inserted to the effect that if the Grand Trunk Railway or the Grand Trunk Pacific should divert traffic to foreign ports, any complaint thereon should be investigated by the Railway Commission, and be reported to parliament for action. If the Government was sincere in saying that it desires to prevent diversion of traffic to foreign ports, it would have accepted this amendment, which is of the utmost possible importance to our national ports.

We moved a resolution that the prairie section should be completed within four years from the passing of the Act. That was voted down. Although time could not wait last year, the Government was very anxious to have it wait this year, and even extending the time to eight years.

We then moved an amendment that if the Grand Trunk Pacific should exercise its right to force on the Government any unprofitable branches at the end of fifty years, the Government might take all or any of the remaining branches. In this way we desired to prevent this country being placed in the position of having to take and operate unprofitable branches without having the option of controlling the situation by taking also all the branches this country might find profitable. We further moved that the Government should have haulage rights and running powers over the western division for the same period granted to the company over the eastern division. Both these amendments were rejected.

Power to Expropriate

We proposed that the Government should be empowered to expropriate the railway from ocean to ocean, upon paying fair compensation, and, in addition, we moved a further amendment empowering the Government to do so on fair compensation in case these companies should not carry out the true intent of the agreement, or should combine, or conspire, to divert traffic to foreign ports. Some observations were made with regard to these amendments last night, and I desire to say that, with regard to this as well as any other company, I take the same position as I did last year. When last year I was advocating the empowering of this Government to take over, if necessary, a certain portion of the Canadian Pacific Railway, I used this language:

> In this connection it should be added that if in the public interest the whole or any portion of any great line of transportation can be more advantageously operated by the country than by a private corporation, then the same justification exists for exercising the right of eminent domain, upon payment of due compensation, as that which permits a great railway corporation to expropriate the business or property, or undertaking of a farmer, of a merchant or manufacturer.

My right hon. friend smiles. I do not know for what reason he would make any distinction between the two. The principle has been justified in the United States, in Great Britain and in this country, on the ground that it is in the public interest and in the interest of the whole country, and I say I know of no reason why it should not be exercised in the case I have mentioned with all due regard of course to private interests, because in such cases you must not only be fair, but you must be generous to the person whose property is taken against his will. But so far as the principle itself is concerned, I say that it supports action in the one case as well as in the other.

I took that position last year with regard to the Canadian Pacific Railway, and I am prepared to take it with regard to the Grand Trunk Pacific. I make no distinction between the two, and I say that if the interests of this country should demand in the future that the Government shall take over this undertaking and shall itself own the line which is to be constructed, to a very great extent, by means of the aid furnished by the public, this country should have no hesitation in doing so. And a provision of that kind should be inserted in the bill, in order that the Grand Trunk Railway, the Grand Trunk Pacific Railway and all others interested, may have due notice that this country is prepared to act upon those lines.

Railways as National Highways

Perhaps we have not sufficiently realized in Canada that railways are, as was pointed out by my hon. friend from Compton (Mr. Pope) the other evening, the great national highways of the present day. Except 1,551 miles of Government railway in Canada, all our railways have been constructed and are owned by so-called private corporations, which, however, were created to exercise a public function, and in that connection I may quote to the House the words of the late President Garfield on this subject in the United States Congress:

> Since the dawn of history the great thoroughfares have belonged to the people, have been known as the King's highways, or the public highways, and have been open to the free use of all on the payment of a small uniform tax or toll to keep them in repair. But now the most perfect and by far the most important roads known to mankind are owned and managed as private property by a comparatively small number of private citizens. Yet, in all its uses the railroad is the most public of all our roads.

And to the same effect is the language used by the Interstate Commerce Commission on two occasions. First, in 1892, as follows:

> The railroad is justly regarded as a public facility which every person may enjoy at pleasure, a common right to which all are admitted and from which none can be excluded. . . . The railroad exists by virtue of authority proceeding from the state and thus differs in its essential nature from every form of private enterprise. The carrier is invested with extraordinary powers which are delegated by the sovereign and thereby performs a goveernmental function. . . . So far from being a private possession, it differs from every species of property and is in no sense a commodity. Its office is peculiar, for it is essentially public.

Again, in 1898:

> While railway transportation in this country is carried on by private capital, it is essentially a government function. . . The railway is, from its very nature in respect to the greater part of its business, a virtual monopoly. The essential feature of a government function or of a monopoly is that it excludes the idea of competition.

Railways of Canada—Public Aid

According to the last report of the Department of Railways and Canals, there are in Canada 19,077 miles of railway. From this are to be deducted 1,551 miles of Government road, leaving 17,526 miles of railway, all of which was probably aided by the Government. That aid, Dominion, provincial and municipal, is as follows:

Cash,	Dominion	$167,007,344
"	provincial	39,884,584
"	municipal	12,661,527
"	loan G.T.R., 1855-57	15,142,633
"	other loans unpaid	821,625
	Total	$226,517,713

So that we have in Canada to-day railways aided to the extent of $226,517,713. Besides this there are provincial loans and municipal subscriptions of stock, bringing the grand total up to $237,520,480, or $13,552 for every mile of railway constructed in Canada. Besides this, there have been gifts to these companies of land aggregating at least 60,000,000 acres, or 3,500 acres per mile —lands which when given were of little worth, perhaps, but some of which are now very valuable.

Profits

In bringing these facts to the attention of the country, I am not criticising bargains made in the past, but I am pointing out the enormous aid that these railway corporations have received, and I am suggesting that it is now time for us to pause and consider whether or not in the future we shall continue the same policy, or whether we shall at least see to it that, in return for any aid afforded to railway construction, the country shall have some interest in the ownership of the roads and some share in the profits resulting from their operation. What returns have we at the present time from these enormous subsidies of money and land? We have no interest in the roads which have been largely constructed from our own assets and no share in the ever-growing profits arising from the operation of these roads. These profits are, and must be, appropriated for the benefit of the shareholders. We cannot undo the past, as my right

hon. friend has said. We cannot interfere with vested rights, and I am not suggesting that we should interfere with vested rights. But let me point out that in considering what is to be done now and in the future, we have the right to take into account what profits have been made by these companies so largely aided by the state in the past. During the year ending 30th June, 1903, the profits of Canadian railways were no less than $28,583,000. These are the roads that were aided by the country to the extent of nearly $14,000 a mile.

Bond and Stock Capital and its Effect on Rates

Consider also the amount of bonds and stock issued by the various companies. This is of importance, when we remember that the Government are permitting in this very contract the watering of stock to an enormous extent. The issues of Canadian railways are as follows:

Bonds	$424,100,762
Preferred stock	136,846,825
Ordinary stock	346,923,487
Total	$907,871,074

It is beyond doubt that the bonds did not realize full value. It is beyond doubt that the stock, to a very considerable extent was not paid for in full. But these securities are expected now to make returns to those who are bona fide holders. And when a question of rates comes before the Railway Commission, the holders of these securities will be insistent that rates shall be so fixed that they may receive a fair return on stock for which they may have paid one hundred cents on the dollar although that stock in the first place may not have contributed ten cents on the dollar to the construction of the railways.

State Ownership

I do not minimize what these railways have done. I admit that they have done a great deal to open up and develop Canada. But we have to pause and consider whether a different policy in the past might not have brought about equally satisfactory results with greater advantages to the country. Suppose that we had undertaken, in the first place, to build the Canadian Pacific Railway or some other great railway which yields an ample return; suppose that we make a very large discount for the alleged disadvantages of Government ownership, should we not have had a fairly good paying property to-day, and might we not have had at least the same advantages that we now have from the opening up and development of the country? Could not even the splendid results which have attended railway enterprise in Canada have been gained with less

cost to the country and with greater advantage to the country in the shape of a return of some revenue for the enormous public aid that has been given for the construction of these railways.

In North America, state ownership of railways has not made much progress. Perhaps, therefore, we may be overlooking the fact pointed out the other day by my hon. friend from Compton (Mr. Pope) that, outside of Great Britain, Canada and the United States, the total railway mileage of the world is distributed as follows: Owned by private corporations, 87,834 miles; owned by the governments of various states no less than 146,813 miles. Of fifty-two countries that have been considered in a very able argument presented to the Senate of the United States, forty-two have public railways, while but twenty-nine have private railways; twenty-one have public railways only, while but nine rely upon private railways only. Let us look very briefly at the experience of one or two countries in this respect. And I am not now making an argument in favor of state ownership, but rather reminding the House that, perhaps, we in Canada have not very much considered this question, and have not looked, as much as we might have done, to the experience of other countries.

In Belgium, the state owns 2,513 miles of railway, out of a total of 2,845 miles. The operation of these railways resulted in a profit in the year 1900 of more than $11,000,000. Freight and passenger rates have been reduced more than 40 per cent. A report on the administration of railways in Belgium made to the Royal Commission of Great Britain, states the result thus—and I am quoting from page 464 of Mr. Jeans' work on railway problems.

> The experience obtained in Belgium of the working by the state of at least a portion of the railways existing in that country, is entirely in favor of that system. . . .
>
> Notwithstanding the superior financial result, the lines worked by the state are those kept in the best order, and the working of which gives the greatest satisfaction to the commercial world and the public in general, as regards regularity of conveyance, cheapness of transit, and the comfort of travellers.
>
> The state, not being solely guided by the prospect of financial gain, but having constantly in view the interest of the public which it represents, is in a better position than private companies to introduce all desirable improvements, not only as regards the efficient performance of the service, but also as respects the cost of conveyance, without, however, altogether disregarding the increase of revenue which its operations may bring into the public treasury.
>
> The state railways thus find themselves placed in constant comparison with the railways worked by private companies, on the one hand stimulating them to general improvements, and on the other hand acting as a sort of check against any attempt to realize extravagant profits at the cost of the public.

And Mr. Waring, in his work on State Purchase of Railways, declares that Belgium's great commercial development and advancement in manufacturing are to be attributed largely to low railway rates resulting from state ownership.

In the German empire the state owns 29,437 miles of railway out of a total mileage of 32,878. The net earnings of German railways amounted to more than $180,000,000 in 1901. The net earnings then were nearly 6 per cent. upon the capital investment and they are now 7.15 per cent. on the capital. In Hendrick on "Railway Control by Commission," at page 56, a summary is given of the results of state ownership in Germany up to 1888. They are eminently favorable. I need not trouble the House with it. Any hon. gentleman who wishes to study the question of state ownership can consult the work.

The Russian Government claims to be the greatest constructor and operator of railways in the world. The state owns 23,895 miles out of a total mileage of 34,415. The average annual net earnings during the years 1897-8-9, according to the recent work of Mr. Henry Norman, "All the Russias," pages 350, 364 and 367, were £14,800,000. The revenue received from those railways alone pays half the interest on the national debt. Yet passenger rates are so low that Mr. Norman describes the cost of travel in that country as being "beyond even the miser's criticism." "There is nothing in the world like it."

In Australia, nearly all the railways are owned by the state. The total Government mileage is 12,594, and the net earnings during the last year reported were £3,725,084 sterling. Lord Carrington, a governor of Australia, according to "Edwards on Railway Nationalization," published in 1898, pages 164-5, declares that the railways of Australia can at any time be sold at a price equal to the debts of the colony. And Edwards himself declares that the state railways of Australia, taken as a whole, pay a substantial profit.

In New Zealand the total number of miles owned by the Government is given at 2,235 and the net earnings of the last year reported, £622,349. The New Zealand railways pay 3.43 per cent. profit, or nearly 3½ per cent. on the capital invested.

In India many railways have been constructed for military rather than for commercial purposes, but nevertheless India is one of the two countries in the world where railways on an average earn over 5 per cent. on capital invested. The railways in India will eventually revert to the state and the Government of India owns no less than 19,317 miles of railway.

In France enormous sums have been paid by way of guarantees of interest upon capital invested by the various railway companies. All railways will revert to the state in 1950, and it is expected that the necessity for paying under the guarantees will cease in 1915. After that date it is anticipated that large annual repayment will

be made to the state, that the aggregate excess in 1950 will cancel accrued indebtedness and that the Government can thus make great reductions in taxation, or reduce the cost of transportation.

A comparative statement by Edwards (given on p. 148) shows the percentage of total working expenses on state lines and on private lines respectively in European countries. In one country only, France, is the cost of state administration considerably greater than that of private administration. In Germany, Austria-Hungary, Belgium, Italy, Holland, Roumania and Russia the cost of state administration is very much less than that of company administration.

Government Railway Experience in Canada

These considerations I venture to bring before the House for the reason that I think a few facts of this kind may be worthy of our consideration in this country. We have not had very much practical experience in North America, as I have said. Our own experience has been confined to the Intercolonial and the Prince Edward Island Railway. The results of Government operations upon the Intercolonial have not at all times been very satisfactory so far as financial returns are concerned, but we must bear in mind in considering the result of Government ownership in this country that the Intercolonial was constructed for the most part through a sparsely inhabited country between Moncton and Quebec, country which affords very little local traffic. It has been pointed out more than once by Mr. Blair that in Quebec as well as in the Maritime Provinces it has had to compete with splendid waterways in every direction. It has had no western connection of any value and the rates have been very low in the Maritime Provinces. In the Maritime Provinces, however—and I speak especially of the Province of Nova Scotia—the operation of the Intercolonial, even upon low rates, has I believe on the whole been paying and profitable to this country. I have no doubt that the operation of the Intercolonial in the Province of Nova Scotia during the past ten years has paid a handsome return upon the capital invested. I have no doubt about that because I compare the traffic of the Intercolonial with the traffic upon other lines in Nova Scotia. I know the result on those lines and I come to the conclusion that the operation of the Intercolonial has been profitable in Nova Scotia and I believe in the southern part of New Brunswick. Indeed, Mr. Blair has told us that and pointed out that if we had western connections, if we had as profitable a line in Ontario as we have in the Maritime Provinces, the paying portions of the road in the Maritime Provinces and in Ontario would give a fair average return to the

country upon the whole line. Let us also remember that although the Intercolonial has not been profitable in one sense, yet it has furnished an absolutely necessary means of communication between the upper and Maritime Provinces. Let us also remember, as it is only fair to remember, that the Intercolonial Railway is not the only railway in Canada that has not made any returns; it is not the only railway in Canada the management of which is open to criticism. I have no doubt that the returns of the Intercolonial would be better if it were free from the influence of party politics. I am not speaking in criticism of one political party more than the other political party, but even under existing conditions, and even with party political influence exerted to some extent, I think the results upon the Intercolonial Railway may fairly be compared with the results upon the Grand Trunk Railway in the past, and I venture to think that if the Grand Trunk Railway management during some years in the past had been applied to the Intercolonial Railway during the past 30 years we cannot be absolutely sure that better results would have been obtained. We may remember, as has been pointed out by the hon. member for Compton (Mr. Pope) the other evening, a loan made to the Grand Trunk as far back as 1855, amounting at that time to $15,000,000, and on which neither principal nor interest has been paid. If simple interest on it is computed up to the present time that company would owe this country more than $50,000,000, and if compound interest, because we have to pay interest half-yearly on our national debt, were computed from Confederation to the present time, that company would owe this country more than $100,000,000.

Party Political Interference

Of course one strong objection to government ownership is the possibility of party political influence and control. This, I think, can be very largely dispensed with. The people of this country are prepared to support the present administration or any other administration which will make a strong, determined effort to that end. The railway service of the state would eventually become a great and special service, and men should be taken into that service as they are taken into the ordinary railway service, at the lowest rung of the ladder and work their way up by merit. I do not see why the principle which has been applied to such a service in other countries should not be applied to a great railway service in Canada. Let us remember that public convenience and public safety are so much concerned that public opinion would not tolerate the appointment of inexperienced or incapable men to positions of responsibility or importance, if we had a Government railway extending from the Atlantic to the Pacific.

Should the Intercolonial be Extended Westward

In regard to our own proposition upon which I have already spoken at some length in this House, let me point out once more, as I have pointed out many times, that we have already Government ownership of railways in Canada to the extent of 1,551 miles. In considering whether or not it would be a wise thing for the people of this country to build and construct a railway from the Atlantic to the Pacific and to own that railway is it not fair to ask ourselves what we are prepared to do with the Intercolonial Railway? Is there any gentleman in this House who will stand up and advocate the transfer of the Intercolonial Railway to one or other of the great railway corporations of this country?

I do not think there is one. The subject was not advocated but was asked to be considered by the Halifax Board of Trade and they met with so frigid a reception from every board of trade in Canada that the question was dropped at once and has never been heard of since. I do not think there are any of us who are willing to transfer the people's railway to any of the great railway corporations of this country. Well, then, let us ask ourselves another question. Suppose that the people of this country, instead of procuring the Canadian Pacific Railway to be built by a private corporation, had themselves constructed that line and owned it at the present time. Let us, in considering that question, make every allowance for the splendid enterprise, the wonderful ability and foresight of the men who have always been at the back of the Canadian Pacific Railway, and let us on the other hand make every possible allowance for all the disadvantages, and no doubt there are some advantages attendant upon Government ownership; but do you think, after weighing and considering all these things, that the people of Canada, if they owned the Canadian Pacific Railway, would be prepared to give it up? I think not. Is it not fair to apply a test of that kind to the question whether or not the people of this country shall build and own this line from the Atlantic to the Pacific? Public opinion in Canada to-day does not favor the abolition of Government ownership in so far as the Intercolonial is concerned. On the contrary, I think there is a stronger sentiment than ever in the minds of the people of Canada in favor of retaining and operating the Intercolonial Railway as a Government railway of Canada. By the extension of that railway westward it could do a profitable business. Its lines in the Province of Nova Scotia and southern New Brunswick are profitable and paying although operated at a low freight rate. This line from Montreal westward would be even more profitable. These two profitable portions would ensure fair average results upon the whole system.

Let me point out to my right hon. friend that, if the press is to be believed, a very strong protest has been made by gentlemen in

the west, some of whom, I believe, have been supporters of his own party in the past, against putting to one side any idea of Government ownership in connection with the proposed transcontinental railway. I do not know whether this document, which I have observed in the *Citizen* of this morning, is authentic, but it contains some very cogent language from which I shall quote a few words:

> The remedy lies in railways under public ownership and operated by a non-partisan commission. The Intercolonial should be freed from the spoils system, placed under such a general manager as Sir Thos. Shaughnessy, Mr. Hays, Mr. Whyte, or other efficient railway administrators, and extended to the Rocky Mountains and the Pacific ocean.

Some hon. MEMBERS. Hear, hear.

Mr. R. L. BORDEN. I am glad I have the support of some of my friends on the other side of the House.

Sir WILFRID LAURIER. We advocate Government ownership.

Mr. R. L. BORDEN. Yes? Well, my right hon. friend will no doubt withdraw this bill and apply the principle of Government ownership to the western division. There is an old hymn, I think, which says that:

> While the lamp holds out to burn
> The vilest sinner may return.

I do not apply these words to my right hon. friend, but I am glad to know that even at this last moment upon the third reading of this bill he has made some remark in favor of Government ownership. Surely, if Government ownership is a good thing, it is a good thing not only for the unprofitable eastern division but for the profitable western division. If we look at it for a moment from the standpoint of the interests of the country and not from the standpoint of the interests of the Grand Trunk Railway Company surely there is no reason why we should apply Government ownership to the eastern division and not apply Government ownership to the western division.

My right hon. friend cannot fail to see that his expert friends of the Grand Trunk Railway in effect have said that the western division is so good that it enables them to accept a lease of the unprofitable eastern division—nor can he fail to see that, while he professes to advocate Government ownership, he is involving this Dominion in a compact whereby the country builds and leases, at a rental less than interest on the cost, that Government *owned* railway, and the Grand Trunk Company graciously accepts, almost as a gift, the actual ownership of the western division, which the Minister of the Interior describes *as the most splendid and profitable railway proposition that was ever presented to any Company on the face of this earth!* That is how the matter presents itself to my mind, but if there is a change of heart on the part of my right hon. friend,

which I almost gathered from his remark a moment ago, I will sit down because my task is done. I have convinced him; no! My right hon. friend does not give me that cordial acquiescence which convinces me that my task is done, and therefore I will have to continue for a few minutes longer, but I am in strong hopes that before I sit down my right hon. friend will come to the conclusion that after all if the country has to BUILD, it might as well OWN the western division.

An important Liberal organ in the Province of Nova Scotia, the *Halifax Chronicle,* has taken very strong ground in favor of the extension of the Intercolonial Railway, and I venture to quote its opinion for two reasons, first, because it is the most influential Liberal organ in Nova Scotia, and second, because it is published in my own city and my own constituency. It is as follows:

> The mooted extension of the Intercolonial to Parry Sound which is being viewed with increasing favor in the upper provinces, is a project of great importance to the Maritime Provinces, to the people's railway, and to the port of Halifax. The great majority of the commercial men of Halifax we believe are warmly in favor of the proposed extension because it will bring our national railway into connection with the grain-producing districts of the west and help tap other sources of traffic which will not only be valuable to the Intercolonial in the way of furnishing paying freight but will bring a large share of the traffic of the west to the ports of the Maritime Provinces for shipment to Europe.

Now, the extension of the Intercolonial Railway westward would give such facility for all-Canadian transport, and control of rates as cannot possibly be accomplished by any other means. There is no doubt about that. The Government does not pretend that it has any control over the rates on this proposed railway other than that which applies to all railways in the country; nor does it seriously pretend that it can under these agreements control the direction of the traffic. A railway extended to the Pacific coast owned by the Government would give the most effective control of rates. But if there is any doubt in view of the considerations which I have already urged upon the Government, why should there be any doubt when we reflect that the Government is practically assuming all the risk of the construction of this railway? The Grand Trunk Railway Company has most ingeniously arranged a scheme by which it will obtain all the benefit, all the advantage, all the profit from the proposed enterprise while it incurs none or very little of the obligations and liabilities incidental thereto. It has accomplished this by the creation of a subsidiary, I might say a fictitious, company. That company alone contracts and at the same time is absolutely controlled by the Grand Trunk Railway Company, which is free. Thus the Government incurs liabilities or obligations to the extent of from $150,000,000

to $170,000,000 while the other party incurs obligations of less than $15,000,000 and obtains control, and possession of all direct profits and advantages. Let not my right hon. friend forget, and this at least I think ought to convince him, that for the enormous obligations which this country is undertaking it has absolutely no security whatever except the commercial success of the enterprise. I challenge any successful contradiction of that statement. If this enterprise is financially and commercially successful this Government has ample security, but if this enterprise is to be successful why should not the country which provides the cash own and control the enterprise? If this enterprise results in failure, then the Government has no security, and the Government will have to stand the brunt of that loss and failure.

Therefore, from every sensible business standpoint, there seems to be no reason whatever, why the Government—going to the extent of incurring nine-tenths of the obligations and of the expenditure necessary to construct this railway—should shrink from the other one-tenth in order to hand the railway over to a private corporation. It is called a national railway; it is not a national railway! It is a corporate railway, and not only is it a corporate railway, but it is a corporate railway controlled by a corporation which has direct and enormous interests in terminals in the United States; interests adverse to our national ports—adverse to an all-Canadian route. The fact is that the Government practically finances the enterprise, and then gives away the country's rights.

The Liberal Party's Railway Policy of 1898

Shall we reverse the policy of extension of state ownership adopted five years ago? If it were not a policy of state ownership which dictated the extension of the Intercolonial Railway from Levis to Montreal, I would like to know what it was? Was it not then foreshadowed by the Minister of Railways of the day, that the extension to Montreal was only a prelude to the extension of the Intercolonial Railway to the great lakes at least, and did not the Minister of Railways, speaking for the Government, say that it was necessary that the Intercolonial Railway should receive a fair, even a large share of the great and growing trade of the west? Did not the Minister of Railways of that day, relying on certain arrangements made with the Grand Trunk Company, hope to secure a large share of that traffic at Montreal, and have not these expectations been very cruelly disappointed?

Why does the Government of Canada see fit to reverse the policy of state ownership which it then adopted? Are we less capable now than we were five years ago of managing railways? Mr. Speaker, I think not. What the Government now proposes to do is practically

to build a great railroad, place it in the hands of a private corporation having large interests in the United States, with the avowed conviction that that corporation will divert the trade of the west over its own line, a trade which we expected would come by the Intercolonial Railway to our national ports. Shall we supply the money and three-fourths of the credit necessary for the building of this great transcontinental line, and shall we then transfer it to the control of what, as to ocean traffic, is virtually a United States corporation? Shall we take no security for our obligations, except that which is dependent for its value upon the success of the enterprise—the country thus undertaking nine-tenths of the entire risk, and receiving no share whatever of the profits? Shall we do all this without any mandate from the people, and without permitting the people to express an opinion? We must have an election before December, 1905, and yet this Government, which was looking forward to an election last year, and is looking for one this autumn proposes to pledge the credit of this country to the extent of $150,000,000 or $170,000,000 without consulting the people, refuses to take the opinion of the people; and in like manner and without any mandate it proposes to put to one side any expectation of state ownership in Canada for a century at least. When my hon. friend from West Toronto (Mr. Clarke) asks the Government to pause long enough to give the people an opportunity of expressing their opinion, the obedient supporters of the Government are called in and they vote down the proposal. Without consulting the people, and in face of a strong and growing sentiment in favor of public ownership of public utilities, shall we postpone, shall we forestall the possibility, even the consideration, of state ownership of railways in this country for another century? Shall we do all this for the purpose of enabling a great corporation to increase the flow of Canada's traffic to Portland? More than 9,000,000 bushels of our wheat went there last year; 400 cars of 700 tons each, and it is increasing. Shall we continue and perpetuate this?

No, a thousand times, no. Let us rather extend our obligations by one-tenth, and thus own and control a national transcontinental highway in the true sense of the term. If our obligations are thus slightly increased, we obtain in return a valuable asset, and we retain the advantage and profit of the future increment of value. We secure and control means of cheap transportation both for the east and for the west; we aid in the most effective manner the development of the west while at the same time we safeguard the up-building of our national ports; we adopt the best, in fact, the only effective mode of preventing diversion of our traffic; we enable the people as a whole to participate in the growing prosperity of the country and in the advantages accruing from its increasing commerce. In all these respects our opportunities will be multiplied one hundred fold.

State Operation of Railways

There are those who are alarmed at the prospect of Government operation of railways. I am not insensible to the fact that there are certain difficulties, possibly certain disadvantages attending state ownership of railways. But, Sir, we have to choose at the present time when this burdensome contract is placed before us, and let us remember that even if we build this line there is nothing to prevent us leasing it for a limited period, until public opinion on this point is more fully developed in Canada. And if we should lease that line, built and owned by the people of this country we should undoubtedly be able to lease it on much better terms than have been secured for the people of this country with respect to the eastern division. If from the eastern division we have secured a rental of three per cent., for part of the term of the lease, surely for that splendid profitable western division we could secure a very much higher rental. But, Sir, I believe that by the time we would have this road constructed from the Atlantic to the Pacific, the growing sentiment of the people of Canada would have reached the conclusion that that road, constructed by the people of this country should not only be owned, but operated by them. That is the point to which I believe public sentiment will have arrived in this country, even if this road shall be built by the Government with all possible expedition.

The Government is driving this measure through parliament, not by the aid of a reason or argument, but by the mere force of its submissive majority. Not one man in ten of the Government supporters has taken sufficient interest in the measure to make himself thoroughly acquainted with it in all its details. The Grand Trunk has decided what the Government must do, and the Government has decided what its supporters in parliament must do. The Grand Trunk thus dictates to the Government and through the Government to the country, which is allowed no voice.

Before committing the country to an enterprise which will increase our national obligations by more than fifty per cent., which will so pledge our future resources as to prevent any great scheme of national transportation for many years, which will probably destroy the Intercolonial Railway, and indefinitely retard any advancement in state ownership; before doing this, constitutional usage demands that the Government should submit the question to the people. We have moved an amendment to that effect, which has been voted down. The Government has no mandate from the people to engage in this enterprise, nor has it any legitimate authority to deny an appeal to the people. It has no justification to refuse to listen to the voice of the people. It proposes at all costs to force this measure through parliament and upon the people. It proposes forthwith to enter into binding contracts, and to thus stifle the

voice of the people, even if that voice should be raised with no uncertain sound against this measure. I have heard all throughout the country; I have heard from Cape Breton in Nova Scotia to the western part of Ontario, what the Government propose to accomplish by means of this stroke of political genius. I have heard on every hand of what the supporters of the Government have been saying as to the resources which would be placed at the disposal of the Government in the approaching campaign. These things have not been said in the closet, they have been said upon the house tops; in every part of the country I have visited I have heard them. But, Sir, considerations of that kind will not stifle the voice of the people. No one can tell in advance what the verdict of the people will be. Though that verdict should be against the Government, the design of the Government is nevertheless that the will of the people shall not be regarded, but that the will of the Grand Trunk Pacific magnates shall prevail.

To this, Mr. Speaker, we now enter our strongest demur. Against it we now formulate our most solemn protest. We do not propose that the voice of the people shall be stifled, and we declare that if the Conservative party is returned to power at the next general election, it will enact such legislation as will enable the will of the people to prevail over the will of this corporation, however great and however powerful it may be. The people of Canada, if they realize their own strength, are and will be greater than any corporation—greater than all corporations. They may not have the same organization or the same capacity to combine, but their power when exerted to the full is at all times irresistible. If it is the will of the people of Canada, as declared by their voice at the next election, that another railway from ocean to ocean shall be built, owned, controlled by the people of Canada, and not by the Grand Trunk Railway Company—if it is the will of the people that we shall assume not only nine-tenths, but ten-tenths of the obligations necessary to construct another transcontinental road, and by that means own and control a national railway highway from the Atlantic to the Pacific—the Conservative party if returned to power, is prepared, in accordance with the will of the people so expressed, to place upon the statute-book of Canada such legislation as will enable that result to be accomplished with the least possible delay.

The People's Verdict

It is for the people to decide. We shall abide, indeed we must abide by their verdict. But let them understand that they have the absolute choice; let them understand that the door is not yet closed. By expropriation, or by any other fair and just policy, we shall carry out the will of the people. LET THE PEOPLE DETERMINE WHETHER CANADA SHALL HAVE A GOVERNMENT-OWNED RAILWAY, OR A RAILWAY-OWNED GOVERNMENT.

The sanctity of contracts demands that the legitimate rights of the promoters of this undertaking should be respected. There must be no repudiation. They shall not be put to any loss, but at the same time the country shall not be required to pay to them any prospective or speculative or unreasonable profits. If they see fit to join with the Government in driving this measure through parliament by the aid of an obedient majority, they must take that course with their eyes open, and with the understanding that the right of the people of Canada to a voice in so great an enterprise is not to be denied and shall not be disregarded.

Against the Grand Trunk Railway we harbor no ill-will. It is entitled to, and it shall receive the fullest justice at our hands. By that justice it shall receive such running rights over the extended Government lines as will give it complete and ample access to the Northwest. But these rights must be accompanied by stipulations adequately conserving and protecting the interests of our great national ports, the interests of our trade and commerce, the interests of our people.

Having said so much, I now move the following resolution, which is designed to express, in connection with those already moved, the policy which the Conservative party will carry out in attempting a solution of the great problem of national transportation. I move, seconded by Mr. Kemp.

That the Bill be not now read the third time, but that it be resolved:

That the Bill proposes to ratify and confirm agreements imposing upon the country enormous obligations for the construction of a Transcontinental Railway, a large portion of which is to become the property of a railway corporation, to whom the remaining portion is to be leased for fifty years on terms onerous to the country.

That the obligations undertaken by the country under the proposed agreements will provide almost wholly for the cost of constructing the proposed railway, while the obligation assumed by the Grand Trunk Railway Company is comparatively small.

The House is of opinion that instead of ratifying the proposed agreements it would be more in the public interest that the Dominion should assume the whole obligation necessary for extending across the continent the present government system of railways, thereby completing a transcontinental railway from the Atlantic to the Pacific entirely owned by and under the control of the people of Canada.

HE 2805 B6

Borden, (Sir) Robert Laird
The National Transcontinental Railway Project

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